



## **DAVID JONES FUTURE STRATEGIC DIRECTION PLAN & PROPERTY UPDATE**

David Jones Limited (DJS) today provided the market with an update on progress made in the implementation of its Future Strategic Direction Plan as well as further information relating to its Property Portfolio.

### **FUTURE STRATEGIC DIRECTION PLAN**

On 21 March 2012 the Company unveiled its Future Strategic Direction Plan which set out the Company's strategy to deal with structural changes in the retail sector and the challenging macro economic conditions. In addition, the Plan set out the Company's "blueprint" for future growth including the Company's transformation into an Omni Channel Retailer, growing the David Jones store network and strengthening the Company's core business.

David Jones CEO Paul Zahra said, "Implementation of our Future Strategic Direction Plan has required significant investment in 2H12, which will continue in FY13. The implementation process will take time, however, I am pleased to report that good progress has been made to date."

#### **1. TRANSFORMATION**

##### **Omni Channel Retailing (OCR)**

Since 21 March 2012 the Company has worked diligently to implement the foundation of its OCR business. During this period the focus has been on building the necessary scalable physical infrastructure, implementing the required integrated systems, realigning the Company's processes and investing in people.

To support the Company's vision of becoming a true omni channel retailer, investment and resources have been dedicated during the year to build the required physical infrastructure. The Company's warehouse at Silverwater (NSW) has been significantly expanded and upgraded to be a national fulfilment centre capable of supporting the turnover equivalent of a large suburban store. Co-located within the fulfilment centre is a new purpose built production house containing studios, post production and copywriting facilities. In addition, a new customer contact centre has been established to handle customer enquiries.

A scalable IT platform consisting of a new content management system, a new order management system and a new warehouse management system has been implemented. This platform has been fully integrated into David Jones' proprietary systems giving the business one view of all products, pricing, promotions and inventory across all channels.

The Company is on track to launch its new online shopping site by the end of 1Q13. The new web store will offer a significant increase from the 9,000 Stock-Keeping Units (SKUs) on offer under the previous legacy IT system. The number of SKUs on offer is planned to be 90,000 by Christmas 2012.

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A.B.N. 75 000 074 573



During August the first stages of the Company's new content strategy were implemented with the launch of the new David Jones integrated blog called "Black & White". A new blogging team has been established consisting of editors from Vogue, GQ and Inside Out magazines. The Company has continued its move towards integrated marketing across all channels with a focus on digital marketing including investment in digital display advertising, Search Engine Optimisation, the use of QR codes in press and catalogues and the establishment of the Company's presence on Pinterest and Instagram.

The next components of the OCR roll-out will occur progressively throughout FY13 and will include the launch of the Company's new mobile store and the first App designed specifically for iPads, which will be a content rich publication with the ability to purchase online. The Company will also introduce new functionality to its online site including a store booking tool to be used across all channels and all devices. Click & Collect, incremental delivery options, social commerce and the option to purchase online from the Company's gift registry will be rolled out during this period.

Mr Zahra said, "The establishment of the foundation of our OCR business is an important milestone in our transformation into a world class omni channel retailer. We will continue to invest in OCR and are excited about the launch of our new shopping channels."

### **Cost Price Harmonisation**

The Company is making good progress working with suppliers to achieve global cost price harmonisation and as a result has had success in delivering retail price reductions over the past six months across hundreds of SKUs in categories such as Fashion, Beauty, Accessories, Shoes, Homewares and Electronics. Whilst the cost price harmonisation process is complex and will take time, the Company is focussed on maintaining its gross profit margin percentage.

Mr Zahra said, "The price reductions achieved to date are pleasing, however they do raise the issue of deflationary pressure on our business. Some of this deflationary pressure has been offset by volume increases. Importantly, we are undertaking a review of all categories with a view to maximising the space allocated to high margin products, which in turn will go some way in counteracting deflationary pressure."

### **Customer Service & Engagement**

As various channels of retailing emerge and gain popularity, retailers are increasingly competing internationally and customers' expectations are increasing. As a result, the Company has invested significantly in customer service and engagement. Initiatives implemented include:

- Increased floor staff hours relative to sales;
- Introduction of 100 new floor staff supervisor roles;
- Introduction of 200 new "Style Advisor" and "Sales Specialist" roles;
- Continued investment in frontline sales training, improved performance reporting to sales staff and increased reward incentives for frontline staff.

In addition, 45 new customer events and promotions have to date been introduced in-store. These include Miranda Kerr in-store appearances, Napoleon Perdis in-store appearance, Trunk Shows, Ginger & Smart Fashion Show, Harpers Bazaar Bridal event, Nicole Ritchie in-store appearance, Bobbi Brown Master Class and Cheese & Wine matching classes.

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### **Investment in Technology**

In addition to the investment in technology relating specifically to the Company's OCR launch, the Company has commenced the pilot testing of its new Point of Sale (POS) system. It has also appointed a preferred provider for its new Workforce Management System and is undertaking a tender for a new Traffic Analytics System.

### **Building Management Skills**

The Company is focussed on ensuring the management team has the right skill base and experience to implement the Future Strategic Direction Plan. A Support Centre (Head Office) Restructure took place in May 2012 pursuant to which a number of key external appointments were made including Donna Player as the Group Executive of Merchandise and Brad Soller as the new Chief Financial Officer.

## **2. GROWING THE STORE NETWORK**

### **New Full Line Department Stores**

The Company has signed Agreements to Lease six new stores. The first of these new stores to open will be Highpoint (Vic), which is on track to open in the first quarter of calendar 2013. The new Indooroopilly (Qld) store will follow and is scheduled to open in the first quarter of calendar 2014.

### **Village Format Stores**

As part of the Future Strategic Direction Plan, David Jones noted its intention to open several village format stores. These stores will be appropriate in size (approximately 7,000 square metres) with a focus on Fashion and Beauty and will be located in areas with good demographics which do not have a major shopping centre. This concept is based on the success of the Company's Claremont Quarter (WA) store.

In August 2012 the Company announced it will open a new village format store in Malvern (Vic). In addition, the Toowong Village (Qld) store refurbishment reflects the Company's village format concept. The village format stores will leverage the Company's existing merchandising, operating and service capabilities as well as the David Jones brand.

## **3. STRENGTHENING THE CORE BUSINESS**

### **Best National & International Brands**

The Company will continue to invest in and add to its brand portfolio to ensure that its brand offering remains fresh, exciting and new and reflects what customers want. In August 2012 the Company announced the introduction of 85 new brands into its business taking the total new brands launched over the past 20 months to more than 220. New brands include Valentino, James Perse, Gary Bigeni, We are Handsome, Vivienne Westwood, Paul & Joe Sister and Nicholas Kirkwood.

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### **Cost of Doing Business (CODB) Reductions**

The Company's Future Strategic Direction Plan identified a number of CODB initiatives which will go some way to offset the expected increases in labour, occupancy, utilities and financing costs, without impacting customer service levels. During the year a number of CODB initiatives have been implemented including eliminating administrative tasks through the consolidation of stocktaking activities and the introduction of product scanners within the Company's gift registry business. Other CODB reductions have been delivered as a result of the May 2012 Support Centre restructure and through energy efficiency initiatives which have reduced usage by 6% over the past 12 months.

### **Gross Profit (GP) Margin Improvements**

At the time it announced its Future Strategic Direction Plan the Company acknowledged that GP Margins would be adversely impacted in FY12 by the need to clear excess Inventory. To counteract this, the Company identified initiatives designed to restore GP Margins to a sustainable target range over time.

These initiatives include the renegotiation of vendor trading terms earlier in the year and a review of the Company's category mix, with a view to increasing the selling space allocated to high margin categories.

In addition, the Company reduced both the duration of its Half Year Clearance event in June by two weeks and the number of discount tactical events in its promotional calendar.

### **Refurbishments**

The Future Strategic Direction Plan listed five high value refurbishments to be undertaken over the next few years. Of these, the Toowong Village (Qld) store refurbishment is due for completion in late September 2012 and the Elizabeth Street and Market Street (NSW) store refurbishments are on track for completion in time for Christmas 2012.

The recently refurbished Warringah Mall (NSW), Chadstone (Vic) and Marion (SA) stores are all trading well.

Mr Zahra said, "We are fortunate that as a result of our ongoing refurbishment program our store portfolio is in good shape."

### **Financial Services**

In 2H12 the Company invested \$1.8 million in its Financial Services business to increase spend, balances and the number of cards on issue. This money was invested in a number of growth initiatives including:

- Launch of the new David Jones Platinum American Express card;
- Launch of Qantas Frequent Flyer points as a reward option under the David Jones Platinum and existing David Jones American Express cards;
- Introduction of 21 new cardholder events; and
- Renewed promotion of the David Jones Storecard including reintroduction of applications at registers in-store.

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## PROPERTY PORTFOLIO UPDATE

The Company today also released further information about its property portfolio including the current market value and potential development opportunities for the sites.

David Jones owns four premium retail properties located in the heart of the Sydney and Melbourne CBD retailing precincts. These are:

- Elizabeth Street, Sydney
- Market Street, Sydney
- 310 Bourke Street, Melbourne
- 299 Bourke Street, Melbourne.

These four properties are unique and highly desirable sites in central locations with high foot traffic. They offer over 85,000 square metres of retail floor space and have a book value of \$460 million. The Company has commenced a review to investigate opportunities to unlock and enhance the value of its property portfolio for the benefit of shareholders.

Independent property consultant Cushman & Wakefield undertook a consultancy assignment to provide David Jones with an indication of the potential sale price of these assets assuming a lease to David Jones, or equivalent tenant, on the basis of their existing use (i.e. excluding development upside). They concluded that based on the assumption of an aggregate implied rental of \$39 million per annum for all four buildings, the potential worth of these assets is \$612 million.

The Company's initial review indicates potential value upside from the development of these sites. Detailed analysis on the development opportunities of each site, including planning limitations, design, structural works and the short term impact on trading is being undertaken by the Company with a view to updating the market in six months time.

## CONCLUSION

Mr Zahra said, "Whilst it is still early days, it is pleasing to report that good progress has been made in implementing our Future Strategic Direction Plan. We are confident that the investment we are making in our business and in the implementation of our strategy will position us well for long term success in the current changing retail landscape.

"We are also committed to further evaluating and analysing the development potential of our property portfolio to enable us to unlock additional value for shareholders," Mr Zahra said.

ENDS

### FOR FURTHER INFORMATION CONTACT:

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# DAVID JONES LIMITED FUTURE STRATEGIC DIRECTION UPDATE

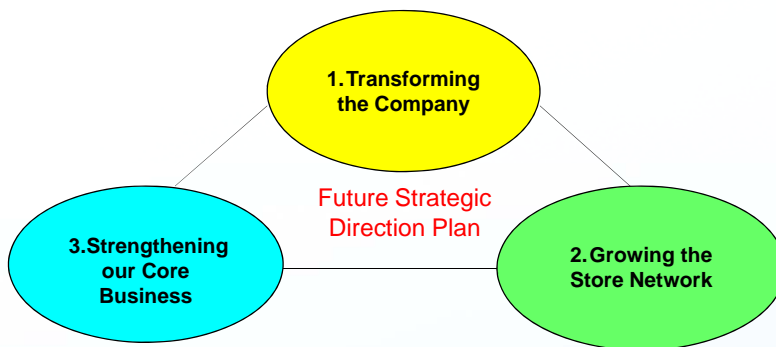
19 SEPTEMBER 2012

PRESENTED BY **PAUL ZAHRA** CEO  
& **BRAD SOLLER** CFO



## INTRODUCTION

- Future Strategic Direction Plan announced on 21 March 2012 focussed on Three Key Areas:



- Today we are going to provide an update on:
  - Progress in implementing the Future Strategic Direction Plan; and
  - Property Portfolio



# 1. TRANSFORMATION

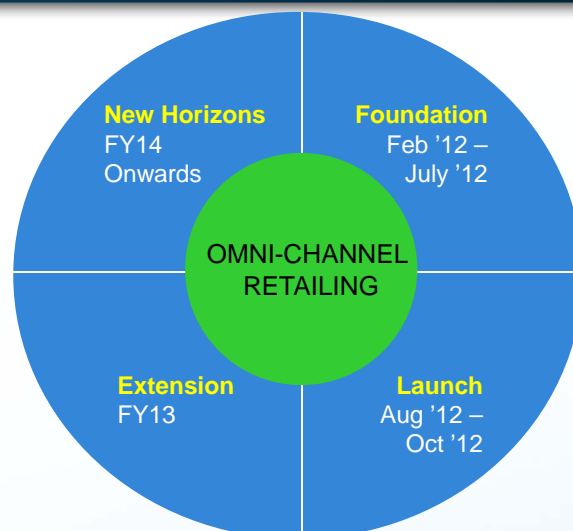


- Transformation of our Company involves:
  - Becoming an **Omni Channel Retailer**
  - Addressing **Cost Price Harmonisation**
  - Investing in **Customer Service & Engagement**
  - Aligning **Management Team** to Future Strategic Direction Plan
  - Investing in **Technology**



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## 1. TRANSFORMATION – Omni Channel Retailing



→ FOCUSED ON CUSTOMERS HAVING A SEAMLESS SHOPPING EXPERIENCE ACROSS ALL CHANNELS, ANYWHERE, ANYTIME, EVERY TIME

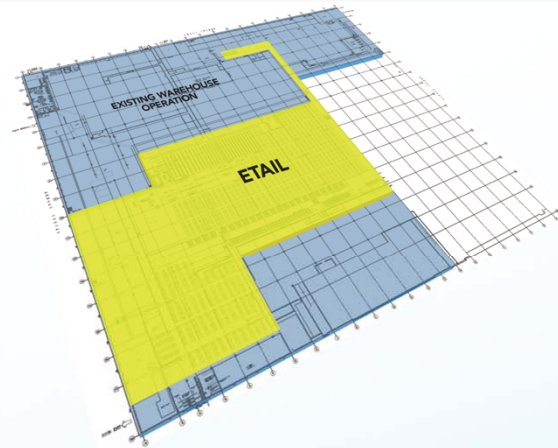
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# 1. TRANSFORMATION – Omni Channel Retailing



- **LAYING THE FOUNDATION**
- Built scalable physical infrastructure
  - Expanded & upgraded fulfilment centre
  - New production house
  - New customer call centre
- Implemented integrated systems platform
  - New content management system
  - New order management system
  - New warehouse management system
  - New systems integrated with proprietary systems controlling product, price, promotions, inventory & reporting across all channels
- Realignment of internal processes completed
- Investment in & restructure of people skill set



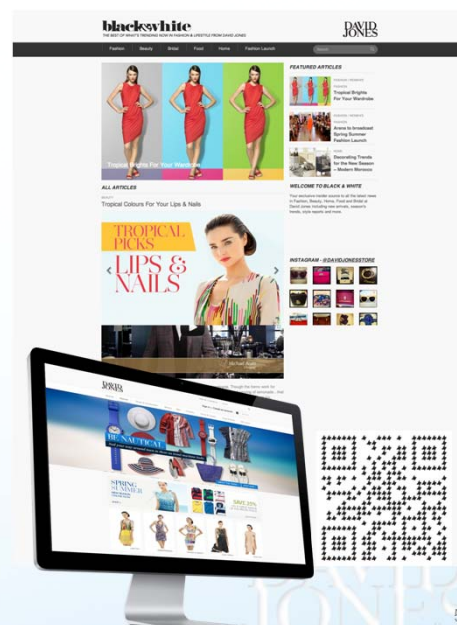
David Jones Fulfillment Centre  
Silverwater, NSW

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# 1. TRANSFORMATION – Omni Channel Retailing



- **LAUNCH**
  - New integrated blog “Black & White” launched
  - New content strategy commenced with blogging team featuring editors from Vogue, GQ & Inside Out magazines
  - On track to launch new webstore by end of 1Q13
  - Will offer 90,000 SKUs by Christmas 2012
  - Continued move towards integrated marketing across all channels with a focus on digital display advertising, SEO, QR codes, presence on Pinterest & Instagram



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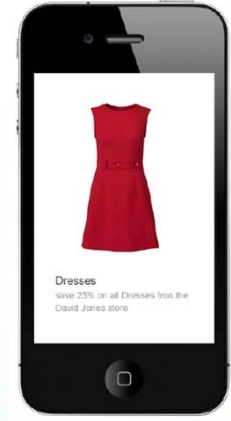


# 1. TRANSFORMATION – Omni Channel Retailing



## EXTENSION

- Launch of new mobile store
- Online site upgrade with introduction of new functionality
- Store booking tool across all channels & all devices
- Expansion of online merchandise range to 90,000 SKUs
- Launch of first application planned for ipad
- Click & collect
- Incremental delivery options
- Social commerce
- Purchase from Gift Registry



# 1. TRANSFORMATION – Omni Channel Retailing



## REPORT CARD

OBJECTIVES	PROGRESS
1. Foundation	➤ <b>Completed</b>
2. Launch	➤ <b>In Progress &amp; On Track</b>
3. Extension	➤ <b>In Progress &amp; On Track</b>
4. New Horizons	➤ <b>On Track</b>

# 1. TRANSFORMATION – Cost Price Harmonisation



- The historical cost price differential in Australian retail is due to the strong Australian dollar, GST and tariff exemptions and higher cost structures such as rent, salaries and distribution channels
- We have a detailed work program to address this issue with suppliers
- Our objective is to maintain gross profit margin percentage
- Good progress made to date in addressing this issue across hundreds of SKU's in a range of categories –Fashion, Accessories, Shoes, Beauty, Home and Electrical

➔ **GOOD PROGRESS BEING MADE IN IMPLEMENTING WORKPLAN TO ADDRESS THE ISSUE OF COST PRICE HARMONISATION**

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# 1. TRANSFORMATION – Cost Price Harmonisation



## FASHION

ARMANI  
COLLEZIONI



30% reduction in price across a range of SKUs

Tommy Bahama



15% to 30% reduction in price across all categories

GANT



Up to 25% reduction in price across all categories



SCOTCH & SODA  
AMSTERDAM COUTURE



Up to 20% reduction in price across all mens categories

Nudie JEANS CO



Up to 17% reduction in price across all mens categories

for all mankind



23% reduction in price across all mens categories

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# 1. TRANSFORMATION – Cost Price Harmonisation



## ACCESSORIES AND SHOES

**MK** MICHAEL KORS



Up to 24% reduction in price across all Bag SKUs



Up to 21% reduction in price across all Shoe SKUs

**MK** MICHAEL KORS



Up to 20% reduction in price across all Shoe SKUs

MARC BY MARC JACOBS



5% reduction in price across all Shoe SKUs

**MK** MICHAEL KORS



Up to 11% reduction in price across 26 Watch SKUs (50% of range)

**GUESS**  
WATCHES



Up to 22% reduction in price across 22 Watch SKUs (30% of range)

MARC BY MARC JACOBS



Up to 25% reduction in price across 15 Watch SKUs (30% of range)

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# 1. TRANSFORMATION – Cost Price Harmonisation



## BEAUTY

ESTÉE LAUDER



Up to 25% reduction in price across 53 SKUs

CLARINS



5% to 24% reduction in price across 22 SKUs

**sisley**  
PARIS



12% to 24% reduction in price across 11 SKUs

LA MER



23% reduction in price on Eye Concentrate

LANCÔME  
PARIS



5% to 24% reduction in price across 17 Skincare SKUs

COTY  
AUSTRALIA



20% to 50% reduction in price across 31 Fragrance SKUs

laura mercier



15% to 30% reduction in price across 50 SKUs

L'OCCITANE  
EN PROVENCE



5% to 15% reduction in price across 70 SKUs

Dr.Hauschka  
Skin Care



30% reduction in price across 18 SKUs

REVLON



8% to 19% reduction in price across 24 SKUs

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# 1. TRANSFORMATION – Cost Price Harmonisation



## HOME

SCANPAN®  
DENMARK



30% TO 40% reduction in price across 52 SKUs

RIEDEL  
THE WINE GLASS COMPANY  
GRAPE VARIETAL SPECIFIC®



20% reduction in price across 7 SKUs

WATERMAN  
PARIS



Up to 40% reduction in price across 24 SKUs

PARKER



Up to 23% reduction in price across 33 SKUs

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# 1. TRANSFORMATION – Cost Price Harmonisation



## ELECTRONICS

beats by dr.dre  
MONSTER



Up to 20% reduction in price across 15 SKUs

Canon®



Up to 20% reduction in price across 2 SKUs

BOSE®



Up to 28% reduction in price across 8 SKUs

OLYMPUS



Up to 17% reduction in price on 2 SKUs

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## 1. TRANSFORMATION – Cost Price Harmonisation



### ■ Deflation – Volume Increases

- Volume increases have gone some way to counteract deflation
- In 4Q12, David Jones' Womenswear, Beauty, Menswear, Accessories and Shoes categories experienced positive sales growth
- An independent study by Beauty Update shows Australian department stores enjoyed 0.4% sales growth in the Beauty category in the first 6 months of 2012 due to price harmonisation reductions\*
- Beauty Update's latest survey shows Lancôme has taken market share as a result of Australian price decreases – it reversed a negative sales trend to deliver 5.6% sales growth in the first half of 2012 in Australia department stores\*

\* Source: Australian Cosmetic Market Report Half Year 2012. bUaustralia Pty Ltd.

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## 1. TRANSFORMATION – Cost Price Harmonisation



### ■ Category Mix

- David Jones is also countering deflation by undertaking a thorough category review
- Video games category has been deleted
- A store by store review has commenced with a view to maximise space allocation to higher margin categories



Warringah Mall (NSW)



Chadstone (VIC)

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## 1. TRANSFORMATION – Customer Service & Engagement

- Increased floor staff hours relative to sales
- Introduced 100 new floor staff supervisor roles
- Introduced 50 innovative new style advisor roles who can sell across all categories & brands throughout the store
- Introduced 150 new sales specialists with specific skills (e.g. Mens Suiting and Womens Designer)
- Rolled out Personal Shopping Service to all CBD flagship stores
- Continued investment in frontline sales training, improved performance reporting to sales staff and increased incentive reward quantum for frontline staff
- Reduction in customer complaints
- Mystery shopper survey results - highest score ever\*



\* Source: Realise Group

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## 1. TRANSFORMATION – Customer Service & Engagement

- To increase customer engagement 45 new in-store events introduced including:
  - Miranda Kerr in-store appearance
  - Napoleon make-up sessions
  - Nicole Richie for House of Harlow in-store appearance
  - Wine masterclasses
  - Harper's Bazaar Bridal event
  - Bobbi Brown Makeup Masterclass



Napoleon Perdis in store



Nicole Richie



Wine Masterclass



Harper's Bazaar Bridal event





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# 1. TRANSFORMATION – Customer Service & Engagement

REPORT CARD	
OBJECTIVES	PROGRESS
1. Increase store staff hours relative to sales	➤ <b>Completed</b>
2. Create 100 new floor staff supervisor roles	➤ <b>Completed</b>
3. Create 200+ new frontline service roles	➤ <b>Completed</b>
4. Staff training on selling and conversion skills	➤ <b>Continuing</b>
5. Improved reporting of sales target tracking	➤ <b>Completed</b>
6. Increase reward quantum	➤ <b>Completed</b>
7. 90 new customer in-store events/promos	➤ <b>All planned and roll-out on track</b> (45 new events already introduced)

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# 1. TRANSFORMATION – Management Composition

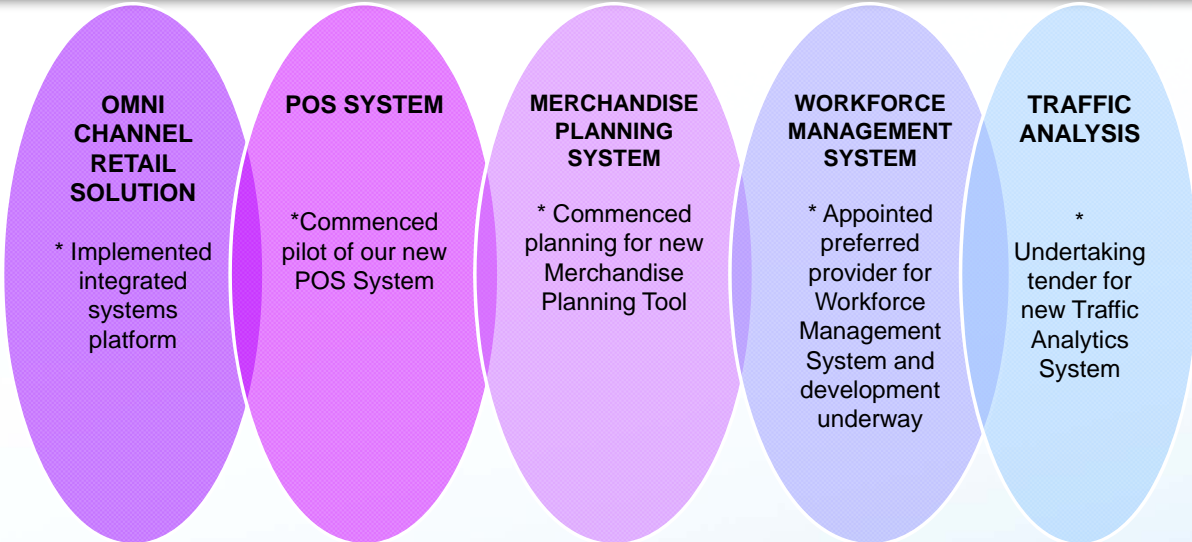
REPORT CARD	
OBJECTIVES	PROGRESS
<p>To realign the skill base and capabilities of the Management team in line with the Future Strategic Direction</p>   <p>Donna Player      Brad Soller</p>	<p>➤ <b>Completed:</b></p> <ul style="list-style-type: none"> <li>• <b>Support Centre</b> (Head Office) restructure undertaken May 2012 – Skill set aligned to Future Strategic Direction Plan</li> <li>• <b>New Group Executive Merchandise</b> Donna Player commenced July 2012</li> <li>• <b>New CFO</b> Brad Soller commenced April 2012</li> <li>• <b>200 new</b> dedicated staff added to IT, Operations and Digital Marketing functions</li> </ul>

➔ **NEW MANAGEMENT TEAM IN PLACE WITH SKILL BASE ALIGNED TO FUTURE STRATEGIC DIRECTION PLAN**

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# 1. TRANSFORMATION – Technology



➔ **GOOD PROGRESS BEING MADE IN IMPLEMENTATION OF TECHNOLOGY PROJECTS IDENTIFIED IN THE FUTURE STRATEGIC DIRECTION PLAN**

# 2. GROWING THE STORE NETWORK



REPORT CARD	
OBJECTIVES	PROGRESS
1. Open 6 new Department Stores	<ul style="list-style-type: none"> <li>➤ <b>On track</b> to open a Highpoint (VIC) in 1Q calendar 2013</li> <li>➤ <b>On track</b> to open Indooroopilly Shopping Centre (QLD) in 2Q calendar 2014</li> </ul>
2. Open several new village format stores	<ul style="list-style-type: none"> <li>➤ <b>Announced</b> new village format store (~7000sqm) to open in Malvern (VIC) in Calendar 2013</li> <li>➤ Toowong (Qld) refurbishment reflects new village format</li> </ul>

Artist's impression of the new Highpoint Store



Artist's impression of the new Malvern store



➔ **GOOD PROGRESS MADE IN GROWING THE STORE NETWORK AS CONTEMPLATED IN THE FUTURE DIRECTION PLAN**

### 3. STRENGTHENING THE CORE BUSINESS



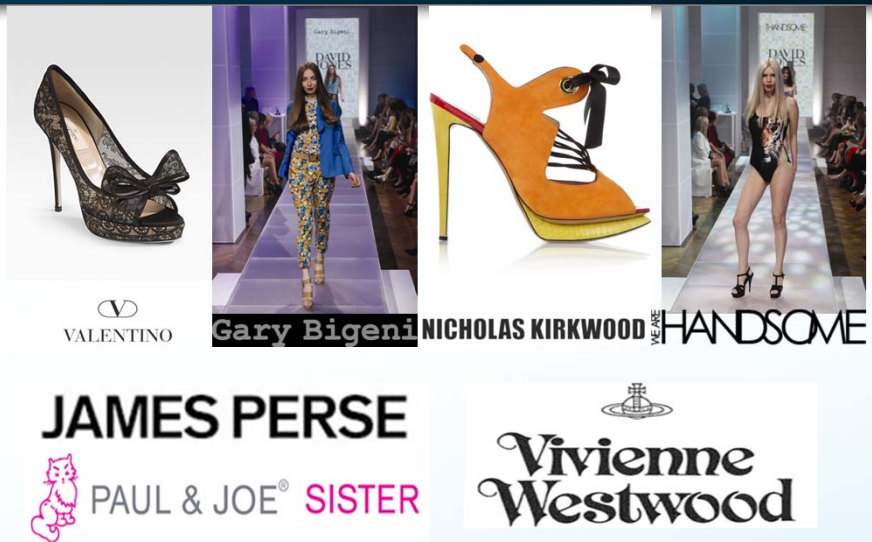
- Strengthening the Core Business involves:
  - Offering the best National & International **Brands**
  - Reducing **Cost Of Doing Business (CODB)**
  - Restoring **Gross Profit Margins**
  - High Value **Refurbishments**
  - Growing **Financial Services** Business

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### 3. STRENGTHENING THE CORE BUSINESS – Brands



- Over 220 new brands introduced over past 20 months
- Vast majority on a department store exclusive basis
- 85 new National & International brands announced on 5 August 2012
- New brands include:
  - Valentino
  - Gary Bigeni
  - James Perse
  - Paul & Joe Sister
  - Nicholas Kirkwood
  - We are Handsome
  - Vivienne Westwood



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### 3. STRENGTHENING THE CORE BUSINESS – CODB



- A number of CODB initiatives have been implemented including:
  - Elimination of administrative tasks through the consolidation of stocktaking activities & the introduction of product scanners in the Company's gift registry business
  - Support Centre (Head Office) Restructure
  - Energy Efficiencies – 6% reduction in energy usage in the past 12 months



reduce  
reuse  
recycle  
rethink

- CODB INITIATIVES DO NOT IMPACT CUSTOMER SERVICE
- SAVINGS GO SOME WAY TO OFFSET INCREASED LABOUR, OCCUPANCY, FINANCE AND UTILITY COSTS

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### 3. STRENGTHENING THE CORE BUSINESS – GP Margins



- FY13 commenced with clean inventory levels
- Aged inventory below 5% benchmark
- Renegotiated Vendor Trading Terms earlier this year will deliver some GP Margin improvement
- Reduced number of tactical discounting events – increased investment in brand and service and reduced reliance on discounting
- Reduced duration of Winter Half Year Clearance by 2 weeks



- PLAN TO RESTORE GP MARGINS TO BENCHMARK OF 39.5% - 40% OVER TIME

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### 3. STRENGTHENING THE CORE BUSINESS – Refurbishments



- Toowong Village (Qld) store refurbishment will be completed on 23 Sept 2012
- Refurbishment of Elizabeth St & Market St (NSW) stores will be completed for Christmas launch
- In FY12 also completed the refurbishment of the following stores:
  - Chadstone (VIC)
  - Marion (SA)
  - Warringah Mall (NSW)



Chadstone (VIC)



Warringah Mall (NSW)

→ STORE PORTFOLIO IN GOOD SHAPE

### 3. STRENGTHENING THE CORE BUSINESS – Financial Services



- 2H12 invested \$1.8m in Financial Services
- Investment in growing Financial Services business via:
  - Launch of new David Jones Platinum American Express Card
  - Establishing new QFF Reward option on David Jones Platinum & existing David Jones American Express cards
  - Increased promotion of Storecard & applications re-introduced at registers
  - 21 new additional card member events & promotions introduced since 21 March 2012  
e.g. Tetsuya Masterclass, Brisbane Racing Workshop, Doncaster + Derby Day Events, and Trunk Parades in Adelaide and Perth
- Approximately \$6m in total will be invested in FY13 & FY14

MEMBERSHIP rewards OR Frequent flyer



→ THE COMPANY CONTINUES TO INVEST IN FINANCIAL SERVICES TO KEEP THE CARDMEMBER OFFER COMPELLING FOR NEW ACQUISITION AND RETENTION



### 3. STRENGTHENING THE CORE BUSINESS



REPORT CARD	
OBJECTIVES	PROGRESS
1. Introduce New Brands	<ul style="list-style-type: none"> <li>➤ <b>Completed</b> <ul style="list-style-type: none"> <li>• 85 new brands announced 15 Aug 2012</li> <li>• 220+ new brands in past 20 months</li> </ul> </li> </ul>
2. Implement CODB Reductions	<ul style="list-style-type: none"> <li>➤ <b>On Track</b> <ul style="list-style-type: none"> <li>• Five CODB Projects completed</li> </ul> </li> </ul>
3. GP Margins restored to 39.5% to 40% over time	<ul style="list-style-type: none"> <li>➤ <b>On Track</b> <ul style="list-style-type: none"> <li>• Clean inventory position to start FY13</li> <li>• Vendor Trading Terms renegotiated</li> <li>• Shortened Half Year Clearance by two weeks</li> </ul> </li> </ul>
4. Invest in Refurbishments	<ul style="list-style-type: none"> <li>➤ <b>On Track</b></li> </ul>
5. Invest in Financial Services	<ul style="list-style-type: none"> <li>➤ <b>On Track</b></li> </ul>

### 4. PROPERTY UPDATE



David Jones owns four premium freehold retail properties located in the heart of the Sydney and Melbourne CBD retailing precincts



Elizabeth Street  
*Sydney*

- Unique and highly desirable sites
  - Home to our flagship stores with central locations and high volume foot traffic



Market Street  
*Sydney*

- Total retail floor space of 85,863 sqm (GBA)
- Book value of \$460m



310 Bourke Street  
*(Womens Store) Melbourne*

- Property review has been initiated to investigate opportunities to enhance the value (including development opportunities)



299 Bourke Street  
*(Mens Store) Melbourne*

- Independent property consultant Cushman & Wakefield has provided an assessment of the potential sale price of these assets on the basis of their existing use (excluding development upside) at \$612 million
- Initial evaluation indicates potential additional upside from development

## 4. PROPERTY UPDATE – SYDNEY STORES



- Elizabeth Street**
- 12 floor building fronting Elizabeth, Castlereagh and Market Streets
    - 9 floors of retail space, 30,435 sqm GBA
    - 2 floors of office, 4,600 sqm GBA
    - 1 floor of 'back of house', 3,843 sqm GBA
  - Site area of 3,533 sqm with 38,878 sqm of GBA
  - Departments include Womenswear, Beauty, Women's Shoes & Accessories, Childrenswear & Toys
  - Book value of \$141.2m



- Market Street**
- 13 floor building on Castlereagh and Market Streets
    - 9 floors of retail space, 21,390 sqm GBA
    - 2 floors of office, 5,235 sqm GBA
    - 2 floors of 'back of house', 5,405 sqm GBA
  - Site area of 2,528 sqm with 32,030 sqm of GBA
  - Departments include Menswear, Men's Shoes & Accessories, Homewares, Electrical & Foodhall
  - Book value of \$116.2m



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## 4. PROPERTY UPDATE – MELBOURNE STORES



- 310 Bourke Street  
(Womens Store)**
- 7 floor building at 310 Bourke Street
    - 6 floors of retail space, 22,878 sqm GBA
    - 1 floor of 'back of house', 2,136 sqm GBA
  - Site area of 3,901 sqm with 25,014 sqm GBA
  - Departments include Womenswear, Women's Shoes & Accessories, Beauty, Childrenswear & Toys
  - Book value of \$162.2m\*



- 299 Bourke Street  
(Mens Store)**
- 7 floor building at 299 Bourke Street
    - 5 floors of retail space, 11,160 sqm GBA
    - 2 floors of 'back of house', 3,344 sqm GBA
  - Site area of 2,232 sqm with 14,504 sqm GBA
  - Departments include Menswear, Men's Shoes & Accessories, Furniture and Food Hall
  - Book value of \$40.4m\*



\* Includes accumulated depreciation allocated across the Bourke Street properties on a pro rata basis.

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## 4. PROPERTY UPDATE – Development Potential

The four retail properties in our portfolio have potential for further development



Elizabeth Street  
Sydney

- Key design constraints include overshadowing and heritage limitations
- Potential to add additional floors of residential units and/or office space



Market Street  
Sydney

- Key design constraints include overshadowing, permitted floor space ratios and heritage limitations
- Potential to add a residential/commercial tower



310 Bourke Street  
(Womens Store)  
Melbourne

- Key design constraints include height restrictions
- Potential to add additional floors of residential units or office space



299 Bourke Street  
(Mens Store)  
Melbourne

- Key design constraints include height restrictions
- Potential to add additional floors of residential units or office space

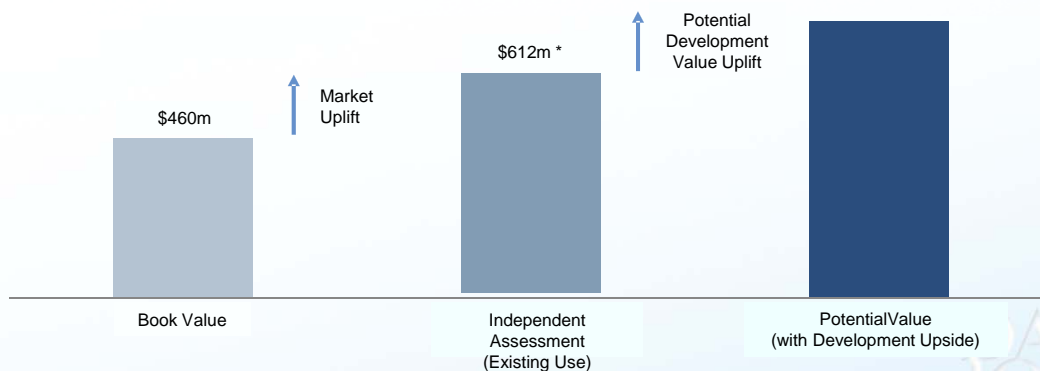
→ ALL DEVELOPMENTS WILL BE SUBJECT TO DESIGN AND PLANNING CONSENTS WHICH WILL NEED TO BE WORKED THROUGH WITH THE RELEVANT PLANNING AUTHORITIES

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## 4. PROPERTY UPDATE – Upside

### Significant Property Upside

- Independent property consultant Cushman & Wakefield has provided an assessment of the potential sale price of these assets on the basis of their existing use (excluding development upside) at \$612 million
- Our development evaluation is preliminary in nature but highlights the possible value uplift that is potentially available to shareholders



\* Independent Assessment based on aggregate implied net rental across the four properties (including retail and commercial rents) of c.\$39m pa.

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## 4. PROPERTY UPDATE – Next Steps



- Property review underway
- The Cushman & Wakefield assessment (on an existing use basis) shows material upside to the current book value
- Further potential development upside possible
- Detailed analysis needs to be progressed on the development opportunities on matters including, but not limited to, planning parameters, design, structural works and possible short term impact on trading as well as general property market conditions
- We intend to update the market in March 2013



David Jones Elizabeth Street (NSW)

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## CONCLUSION



- Excellent progress has been made to date implementing Future Strategic Direction Plan
- We are confident the investment we are making will position us well for long term success and provide us with a strong, sustainable business model



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