



11 April 2014

Recommended proposal to acquire your David Jones shares for A\$4.00 cash per share

Dear shareholder,

The Board of David Jones announced on 9 April that it had entered into an agreement under which it is proposed that the South African based retail group Woolworths ("Woolworths") will acquire all of the David Jones shares outstanding by way of a Scheme of Arrangement ("Scheme"). Under the terms of the proposal, you will receive A\$4.00 cash per share.

In addition, shareholders on the register as at 10 April 2014 will receive the interim dividend already declared of A\$0.10 per share (fully franked).

The cash payment of A\$4.00 per share represents:

- a 25.4% premium to the closing price of David Jones shares on 8 April 2014;
- a 39.4% premium to the price of David Jones shares on 30 January 2014 (being the last closing price prior to the Myer proposal becoming public);
- a 26.8% premium to the 3 month volume weighted average price of David Jones shares;
- a multiple of 20.8x the reported FY13 EPS of 19.2 cents per share and 23.8x the estimated FY14 EPS of 16.8 cents per share based on consensus broker estimates¹; and
- an implied market capitalisation of A\$2,149 million.

After assessing the alternatives, including stand-alone value creation opportunities; realising the value of the freehold properties owned by David Jones; and pursuing a merger with Myer in accordance with its proposed terms, my fellow directors and I believe that this is a compelling offer which provides an option to realise value for our shareholders.

The Board of David Jones unanimously recommends that David Jones shareholders vote in favour of the Scheme at the upcoming Scheme Meeting in the absence of a superior proposal, and subject to an Independent Expert concluding that the Scheme is fair and reasonable and in the best interests of David Jones shareholders. Subject to those same qualifications, each director of David Jones intends to vote all the David Jones shares held or controlled by them in favour of the Scheme.

¹ FY13 EPS adjusted for A\$6.4m NPAT impact of Dick Smith transaction. FY14F EPS consensus of 16.8 cents per share as per Bloomberg on 8 April 2014

**DAVID
JONES**

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The implementation of the Scheme is subject to conditions including:

- the requisite majorities of David Jones shareholders approving the Scheme (being a majority in number of shareholders who vote and at least 75% of the total number of shares voted);
- approval from the Treasurer of the Commonwealth of Australia under Australia's foreign investment rules;
- no material adverse change, a force majeure event, prescribed occurrence or regulatory restraint; and
- Court approval of the Scheme.

Further, unless an Independent Expert concludes that the Scheme is fair and reasonable and in the best interests of shareholders, David Jones is not obliged to proceed with the Scheme.

Shareholders should be aware that the Scheme is also subject to Woolworths shareholder approval to be sought in mid June 2014, which requires:

- at least 50% approval based on the total number of shares voted in relation to the proposed acquisition of David Jones; and
- at least 75% approval based on the total number of shares voted in relation to an equity raising Woolworths is intending to undertake once the Scheme has been implemented.

The Scheme is also subject to Woolworths obtaining South African Reserve Bank approval.

At this stage, you do not need to take any action in relation to your David Jones shares.

A Scheme Booklet containing further information in relation to the proposed transaction, including a report by the Independent Expert, will be provided to shareholders approximately four weeks before the Scheme Meeting.

It is expected that the Scheme Meeting will be held in late June 2014. I encourage you to vote in favour of the proposal, either by attending the Scheme Meeting in person or by lodging a proxy vote.

Should you have any further queries in relation to the transaction please call the Shareholder Information Line on 1300 580 123 (or if calling from outside Australia: +61 3 9415 4339).

Yours sincerely,

Gordon Cairns
Chairman
David Jones

**DAVID
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