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DAVID JONES FUTURE STRATEGIC DIRECTION PLAN UPDATE

David Jones Limited (DJS) today provided the market with an update on progress made in the implementation of its Future Strategic Direction Plan.

David Jones CEO & Managing Director Paul Zahra said, "In March 2012 we unveiled our Future Strategic Direction Plan, which set out our strategy to deal with structural changes in the retail sector and the prevailing challenging retail conditions. The Plan set out the 'blueprint' for the future of our business. Key priorities were the transformation into an Omni Channel Retailer, cost price harmonisation and strengthening our core business.

"Through FY13 we have made significant progress in not only implementing our Future Strategic Direction Plan, but also in refreshing the Plan and establishing a foundation for future innovation and growth within our business," Mr Zahra said.

Over the past 12 months progress has been made by the Company in:

1. Addressing the structural changes faced by the retail sector;
2. Strengthening its core business;
3. Enhancing its store network; and
4. Focusing on the next steps in the Company's strategy

1. ADDRESSING STRUCTURAL RETAIL CHANGES

In response to the structural changes currently taking place in the retail sector, in particular online trading and the globalisation of retailing, the Company throughout FY13 invested resources in:

- Transforming itself into an Omni Channel Retailer;
- Addressing international price discrepancies through its cost price harmonisation program; and
- Targeting new customers.

1.1 Omni Channel Retailing

In FY13 the Company invested in physical and technological infrastructure to support its transformation from a bricks and mortar retailer to an Omni Channel Retailer (OCR). This included the establishment of a new fulfillment centre, a call centre, a production studio as well as the implementation of IT systems to address logistics and back of house processes.

The Company launched its new webstore with 90,000 Stock Keeping Units (SKUs) in November 2012. Since then, the Company has also launched a new mobile enabled webstore, a David Jones magazine for iPads with purchasing capability and shoppable videos. In addition the functionality of the webstore was improved with features such as 'customer ratings & reviews', 'product zoom', 'you may also like' and 'customer also viewed'.

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Enhancements have continued into FY14 with the launch of expanded delivery options including Sydney same day, national express, 'click & collect' and supplier direct to customer as a result of the introduction of drop ship capability.

During the year the Company focused on increasing engagement and communication with customers by broadening its digital footprint. Today David Jones has approximately 800,000 digital contacts including: 240,000 Facebook fans, 14,500 Twitter followers and 37,000 Instagram followers. The Company's blog, "Black & White", now has over 40,000 readers per month. In addition the Company has doubled its email database and delivered a ~235% increase in the proportion of online sales derived through email marketing programs.

The Company's online sales growth rate accelerated quarter on quarter throughout the year with sales up 711% in the fourth quarter of FY13 (4Q13) following growth rates of 520% in 3Q13 and 290% in 2Q13. The Company's average online order is three times the value of its average in-store transaction value.

1.2 Cost Price Harmonisation

A key focus of the business since the announcement of the Company's Future Strategic Direction Plan has been to address the difference in pricing of international brands in Australia compared to overseas.

We commenced a detailed work program to address international cost price differentials in March 2012. Cost price harmonisation negotiations have covered both new and existing international brands in our business. All new international brands signed up by David Jones post March 2012 have been price harmonised before entering the business.

In terms of existing international brands the Company identified approximately 250 brands that required cost price harmonisation. Negotiations have taken place with all of these brands and, to date, 60% have harmonised their prices. Negotiations remain on foot with the remainder. Importantly throughout these negotiations, the Company has maintained its gross profit margin percentage. Pleasingly the trend to date has been that the sales volume increases post cost price harmonisation have more than offset the price reductions.

The Company has publicly communicated the retail price reductions achieved through its cost price harmonisation program via advertisements in the national press and on its website.

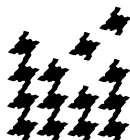
1.3 Targeting New Customers

The globalisation of retailing has changed the way people shop and broadened David Jones' potential reach. As a result the Company has implemented a number of initiatives to enable it to better understand and grow its customer base.

In May 2013 for instance, David Jones became the first Australian department store to accept UnionPay as a method of payment in its stores. UnionPay is the national Chinese debit and credit card with more than 3.5 billion cards on issue making it the largest card program in the world. The acceptance of UnionPay enables David Jones to tap into a lucrative new customer base, namely the 700,000 Chinese nationals that visit Australia annually or temporarily reside in Australia.

The Company will also start accepting 'Pay with Points' payment for purchases made on its webstore in FY14. This capability will also be rolled out throughout all David Jones stores in FY15 enabling purchases to be made at any point of sale (POS) terminal via the redemption of points.

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Other initiatives the Company has implemented to target new customers include expanding the sale of David Jones Gift cards outside David Jones to entities such as Australia Post and other retailers as well as the launch of Australia's first department store bridal suite, 'Bridal on Seven' which offers the best national and international bridal designers in one luxurious location. Since its launch in 2012 'Bridal on Seven' has become a national bridal destination with customers flying in from interstate and overseas. The Company has been able to leverage its bridal business by cross selling across its other categories such as its gift registry service.

2. STRENGTHENING THE CORE DAVID JONES BUSINESS

In FY13, the Company invested in the following key areas to strengthen its core business:

2.1 Customer Service

David Jones has continued its investment in customer service by increasing frontline staff hours relative to sales and increasing the visibility of staff on the shop floor. The Company has benchmarked its service standards against international best practice and introduced "5 Star Service for Today" reflecting the changes in customer service requirements over time. By Christmas 2013 all frontline team members will be trained in the Company's new contemporary service standards.

During the year the Company introduced new 'Daily Sales & Productivity Reports' for floor staff enabling better management of individual sales performance and productivity. Additional FY13 initiatives include the introduction of 100 new Style Advisor roles, 100 new floor supervisors and 150 sales specialists.

The Company also successfully rolled-out a new Point of Sale (POS) system which has improved customer service by reducing transaction times, enabling faster refunds and inventory searches across all channels as well as enabling gift receipts to be issued. Over the next 12 months the new POS system will have promotions capability which will automate promotion management at each terminal and email receipts will be introduced.

These customer service initiatives have resulted in the Company achieving its best ever "Mystery Shopper" survey results in 2013. They have also delivered an improvement in the David Jones compliments to complaints ratio and an increase in the Company's average transaction value and unit sales per transaction.

2.2 Increasing Foot Traffic, Conversion and Customer Engagement

The Company introduced a number of in-store events in FY13 which resulted in more than 100,000 incremental visitors to its Sydney CBD flagship store. These initiatives included the David Jones 175th Anniversary Exhibition, the Sydney Lego Brick Show, the Denim Seeks Soul Mate Campaign, the Bridal Expo in conjunction with Vogue, Mothers Day High Tea and the United States of Accessories campaign. These events not only generated foot traffic, but also increased David Jones' engagement with customers and created a 'halo' effect across the store portfolio.

During the year the Company completed a successful trial of traffic analytics technology at its new Highpoint (Vic) store. This technology is now being rolled out across the Company's store network and is expected to be completed by early calendar 2014. This will assist the Company in measuring and driving foot traffic and improving sales conversion.

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2.3 Brand Portfolio

A key component of the Company's strategy is to ensure that its offering remains fresh and relevant to customers. In FY13 approximately 140 new international and Australian brands were signed up (most on an Australian department store exclusive basis) including MNG by Mango, Carven, Stella McCartney, Simona, Martin Grant and Farage.

2.4 Gross Profit Margins

During the year David Jones focused on improving its Gross Profit Margins through reduced discounting and addressing low productivity categories. As a result of reducing the depth, breadth and duration of its discounting the Company now has a promotional program that reflects the right mix of full margin and discount events.

Pleasingly the Company's low productivity categories are being addressed. Electronics (the category of major concern due to the adverse impact of deflation and aggressive discounting) is now the subject of a Retail Brand Management Agreement with Dick Smith and good progress has been made in exiting Music, DVDs and Electronic Games.

The Company also began the process of increasing its private label business. In August 2013 new 'David Jones' branded merchandise was launched across a range of categories. Private label is expected to account for approximately 5% of total sales in FY14, up from the current 3.5%.

2.5 Cost of Doing Business (CODB) Initiatives

The Company continued to implement CODB efficiencies throughout FY13 including rolling out energy saving initiatives, reducing third party labour spend and investing in technology to drive productivity efficiencies.

2.6 Inventory Management

As part of the Company's focus on inventory management a number of initiatives have been introduced to reduce risk and improve working capital. These initiatives include increasing the number of inventory intakes and reducing the volume of stock per intake as well as staggering the intakes throughout the season to mitigate sell-through risk. This has improved the Company's working capital and helped maintain a sense of newness and freshness in the merchandise offer. In addition, 'Drop Ship' capability and 'Stock on Consignment' has been introduced which has further reduced inventory levels.

2.7 Technology

The Company's capital expenditure in FY13 continues to reflect an increased weighting towards technology projects as outlined in the Company's Future Strategic Direction Plan. Technology projects undertaken in FY13 include the launch of the new David Jones webstore, roll-out of the new POS system, an automated consignment system and a number of "back of house" enhancements such as a new Workforce Management Tool designed to deliver efficiencies.

3. ENHANCING OUR STORE NETWORK

The Company successfully opened its new Highpoint (Vic) store in March 2013 and its new Malvern Central (Vic) village format store in September 2013. The new David Jones Indooroopilly (Qld) and Macquarie Centre (NSW) stores are scheduled to open in May 2014 and FY2015 respectively.

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The new stores incorporate the Company's "Next Generation Store" concept and include features such as more efficient energy usage, more productive Gross Lettable Area, complimentary customer Wi-Fi, customer dwell areas, traffic analytics, mobile device charging areas and high tech omni-mirrors that allow customers to photograph and post images on Facebook, Instagram, Twitter and Pinterest or email images of merchandise to family and friends.

In conjunction with its new store openings the Company has continued its refurbishment program to ensure its store portfolio remains contemporary. During FY13 the Company undertook the refurbishment of its Elizabeth & Market Street (NSW), Bondi Junction (NSW) and Canberra Centre (ACT) stores.

The Company currently has 38 stores in its portfolio. Over the next five years six store leases (in less robust demographics) will expire. These lease expiries present David Jones with the opportunity to review its store portfolio in light of its broader OCR strategy.

4. FUTURE OUTLOOK

Mr Zahra concluded, "Having spent the past 18 months transforming our business from a bricks & mortar retail model into an Omni Channel Retailer, addressing cost price harmonisation and rolling out new technology our Company is at an exciting juncture.

"We have completed a refresh of our Future Strategic Direction Plan as well as undertaken a review of world's best practice retailing with the assistance of an international consulting firm," Mr Zahra said.

Going forward the Company's strategy is to continue to innovate in line with changing customer shopping habits and structural changes that occur in the retail sector.

Mr Zahra said, "We recognise that we are now competing in a global market and we need to continually innovate. To achieve this we have established a cross functional 'Innovation Team' that will also include external experts and partners as needed. The purpose of this team will be to ensure that we continue to improve and finesse our retail offer including the way we interact with customers and the way we manage our business.

"We have also created a new senior role (Executive Customer Innovation & Growth) which will report directly to me and will be responsible for ensuring all parts of our business work together cohesively to deliver customer-centric outcomes," Mr Zahra said.

The board and management are committed to ensuring that David Jones is a world class retailer. Over the past 18 months management has demonstrated its ability to execute the Company's Future Strategic Direction Plan.

Mr Zahra said, "We have a well positioned store portfolio of 38 stores mostly in metropolitan locations with attractive demographics. In addition we have an iconic brand, a distinctive positioning in the Australian market, a strong service ethic and a loyal customer base.

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"These strengths together with the initiatives in our Future Strategic Direction Plan position us well to address the challenges the Australian discretionary retail sector is currently facing and to leverage the opportunities for future growth," Mr Zahra said.

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