



DAVID JONES RENEGOTIATES TERMS OF FOUNTAIN GATE AGREEMENT

David Jones Limited (DJS) today announced that it has renegotiated the terms of its Fountain Gate lease arrangements with Westfield Trust ensuring the long term economic viability of opening a David Jones department store at this site.

On 3 June 2003 David Jones announced that it had (as part of its Strategic Review) undertaken a store portfolio review and identified the future Fountain Gate lease arrangement as unviable on its existing terms.

The Fountain Gate agreement was entered into by David Jones in 1996 and was legally binding and enforceable by both Westfield Trust and David Jones. At the time of the June 3, 2003 Strategic Review, David Jones announced that it would commence negotiations with Westfield to attempt to either terminate or renegotiate the terms of the existing Fountain Gate agreement and to make provision for the outcome of these negotiations in its 2003 financial year accounts.

Following negotiation, the parties have agreed that Westfield Trust will terminate the 1996 Fountain Gate agreement and enter into a new agreement on revised terms, in consideration of David Jones paying Westfield Trust a \$9.8 million termination fee.

As flagged at the time of the Strategic Review, this \$9.8 million payment will be reflected in the company's FY03 accounts as a significant item.

The Fountain Gate termination payment is the final outstanding significant item that was announced as part of the Strategic Review. This \$9.8 million payment, in conjunction with the \$10.2 million lease exit cost for the Foodchain business (announced on 9 July 2003) and finalisation of work associated with restructuring costs, asset writedowns, accounting and other adjustments brings the total significant items for FY03 to approximately \$84 million pre tax (\$68 million after tax). This is in line with David Jones' Strategic Review announcement that it expected one-off significant items for FY03 to be more than \$78 million on a pre-tax basis.

The David Jones Board of Directors have reconfirmed their intention to pay a 3 cent fully franked dividend for the second half of the 2003 financial year.

The major commercial conditions that have been renegotiated under the new Fountain Gate agreement are:

- **A reduction in store size.** Under the original agreement David Jones was obliged to open a 15,000 square metre department store within Westfield's Fountain Gate shopping complex. This has been reduced to 12,500 square metres under the new agreement. The reduction in store size will enhance productivity and enable a full-line department store to be opened along the lines of the successful formula utilised by David Jones in other Westfield centres with similar sized department stores – namely Miranda and Parramatta;

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- A **delayed opening date** for the store. The original agreement required David Jones to open during the period 2007 – 2010. This opening period has now been delayed and extended to the years 2008 – 2012; and
- **Westfield Trust has undertaken to fund fit-out costs of \$13 million** (in 2008 dollar terms) for the new David Jones department store at the Fountain Gate site. Whilst Westfield Trust will provide the funding, David Jones will manage the quality and standard of fit-out work. For every year that the Fountain Gate David Jones department store fit-out is delayed beyond 2008, Westfield Trust's \$13 million fit-out contribution obligation will escalate by the rate of inflation.

David Jones CEO, Mr Mark McInnes said, "We have a longstanding relationship with Westfield, with many of our department stores located within Westfield shopping centres.

"Westfield's Fountain Gate centre has been successful in attracting customer traffic and is ranked in the top 15 shopping centres in Australia, in terms of both space and turnover.

"On the basis of our relationship with Westfield and our recognition of the success of the Fountain Gate centre, we have been able to work with Westfield to develop a new leasing arrangement for Fountain Gate that will deliver a department store that is value enhancing to the centre and ensures the long term economic viability for David Jones of opening a department store in this growth corridor," Mr McInnes said.

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