



000001 000 DJS  
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SAMPLEVILLE VIC 3030

25 June 2010

Dear Shareholder,

Your Board recently announced:

- The mutual termination of Mark McInnes' employment as CEO and his resignation from the Board of Directors; and
- The appointment of Paul Zahra as the new Chief Executive Officer of the Company and as a member of the Board.

**Mutual Termination of Mark McInnes**

The circumstances of Mr McInnes' departure are deeply regrettable. In a separate public statement Mr McInnes admitted to behaving "in a manner unbecoming of a Chief Executive Officer to a female staff member" at two recent Company functions. Consequently the Board reached the conclusion that this was a breach of the Company's Code of Ethics and Conduct.

Mr McInnes and the Board agreed that in these circumstances it was in the best interests of shareholders and the Company, for his employment to be mutually terminated.

We have offered all appropriate support to the employee whose solicitors have made a complaint to the Board about Mr McInnes' conduct. The Board takes the allegations extremely seriously and has acted promptly to address the complaint, the issues arising from it and to appoint a new CEO in order to avoid instability for the Company.

The Board has and will continue to take all steps to ensure that this complaint is appropriately addressed. The Board has also arranged for a review of the Company's systems, processes and policies that are currently in place.

As a result of the mutual termination of his employment, Mr McInnes will not be entitled to any of his contractual rights relating to Short Term Incentives for the current or future years or under the currently operating Long Term Incentives Plan and Retention Plan. He will receive his statutory entitlements of \$445,421 and a settlement payment of \$1.5 million.

**DAVID JONES**

David Jones Limited A.C.N. 000 074 573  
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Making the \$ 1.5 million payment (which constitutes 80% of Mr McInnes' base salary) enabled the Board to secure a more relevant and rigorous non-compete undertaking from Mr McInnes. This was considered necessary to protect the Company, the business and ultimately your investment.

### **Appointment of Paul Zahra as CEO**

I am pleased to announce that Paul Zahra has been appointed as the Company's new CEO and the remainder of the management committee all remain in place and are committed to their roles and working together for the ongoing success of the Company.

Paul has 28 years retail experience and has been part of the David Jones management team for 12 years. He played an integral role in the turnaround of the Company since 2003 and in the development and implementation of the Company's subsequent Strategic Plans.

The Board is delighted to have been able to appoint an internal candidate as the new CEO. Paul brings a wealth of retail experience to his new role having had senior roles across the breadth of David Jones' business including senior roles in Buying, Stores, Visual Merchandising, Operations, Customer Service, Supply Chain and Store Refurbishments. Prior to being appointed CEO, Paul was the Group General Manager of Stores & Operations. Prior to joining David Jones Paul held management roles at Officeworks Superstores and Target Australia.

Given Paul's depth of experience and that he will be working closely with Finance Director Stephen Goddard and the rest of the management team, the Board and I are confident that the CEO transition process will be smooth.

I am delighted to report that the first two weeks of Clearance trading have been pleasing. All of the Company's core KPI's are in good shape and we have reaffirmed the Profit Guidance for FY10 and FY11 set out in our Company's 3Q10 sales release dated 19 May 2010.

We look forward to reporting back to shareholders at the Company's 4Q10 sales announcement in August 2010 and at the FY10 full year results in September.

Yours sincerely

Robert Savage  
Chairman  
DAVID JONES LIMITED

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