



ASX AND MEDIA RELEASE

For Immediate Distribution

3 August 2005

DAVID JONES LIMITED & CEO, MARK McINNES ENTER NEW EXECUTIVE SERVICE AGREEMENT

David Jones Limited (DJS) today announced that it has entered into a new Executive Service Agreement ("CEO Agreement") with CEO Mark McInnes. The new CEO Agreement replaces the existing service agreement executed by the Company and Mr McInnes on 14 October 2003.

David Jones Chairman Mr Robert Savage said, "The Board and I have been cognizant of the need to retain, motivate and incentivise our key executive whilst at the same time ensuring that payments and benefits under the CEO Agreement are linked to the financial performance of the Company and shareholder returns.

"We have also been aware of the need to ensure the continuity of management to enable the Company to deliver on its three year Strategic Review targets – hence the new CEO Agreement has incentives for Mr McInnes to remain in the role until 31 July 2008".

In determining the final package payable to Mr McInnes we have sought to ensure it is commensurate with payments made to chief executives of similar businesses," Mr Savage said.

The CEO Agreement is comprised of five key components:

- 1. Base Remuneration** (inclusive of Superannuation): \$1.45 million per annum.
- 2. Short Term Incentive (STI):** In accordance with the performance based bonus scheme (STI Scheme) introduced by the Company in July 2003, Mr McInnes will be entitled to an annual bonus payment ranging from 100% - 150% of his Base Remuneration in each year of the CEO Agreement, subject to the Company achieving set Profit after Tax performance targets.
- 3. Long Term Incentive (LTI) Plan:** At the 2003 and 2004 Annual General Meetings (AGM), shareholders approved (subject to certain performance targets being met by the Company) the grant of shares to Mr McInnes pursuant to the 2003-05 LTI Offer, the 2004-06 LTI Offer and 2005-07 LTI Offer. Mr McInnes' entitlement under each of these offers is set out in Annexure A to this Release.

In October 2005 the Company will determine and make a 2006-08 LTI Offer to Mr McInnes in accordance with the terms of his CEO Agreement and the Company's LTI Plan, which will be subject to shareholder approval at the 2005 AGM.

- 4. Retention Bonus:** In consideration of Mr McInnes agreeing to remain in the role for a further three year term and the change in the non compete clause from 3 to 12 months, the Board has agreed to seek and recommend shareholder approval to a grant of up to one million additional David Jones shares under the LTI Plan. The rights to these shares will vest in three equal tranches on 31 July 2005, 31 July 2006 and 31 July 2007 respectively, subject to certain Profit after Tax performance targets being achieved by the Company.

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Despite the rights to the shares under the Retention Bonus arising in 2005, 2006 and 2007, the shares will not be issued and allotted to Mr McInnes until after 31 July 2008. Full details of the Retention Bonus will be provided in the Notice of Meeting for the 2005 AGM, where shareholder approval will be sought.

5. Termination Rights & Entitlements: The CEO Agreement sets out both Company initiated and CEO initiated termination rights. Each party has the right to terminate with 12 months notice subject to certain provisions as set out in Annexure B to this Release.

Mr Savage said, "The Board and I are delighted with Mr McInnes' performance as CEO to date and are pleased to have secured his ongoing tenure as CEO. We look forward to working closely with him and the management team in continuing to deliver value to shareholders."

ENDS

FOR FURTHER INFORMATION CONTACT:

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**ANNEXURE A:
LONG TERM INCENTIVE PLAN OFFERS to MARK McINNES APPROVED BY
SHAREHOLDERS AT THE 2003 & 2004 AGMs**

2003 – 2005 OFFER:

Threshold Number of Shares	Target Number of Shares	Stretch Number of Shares
347,222	694,444	1,041,667

2004 – 2006 OFFER:

Threshold Number of Shares	Target Number of Shares	Stretch Number of Shares
256,849	513,699	770,548

2005 – 2007 OFFER:

Threshold Number of Shares	Target Number of Shares	Stretch Number of Shares
191,327	382,653	573,980

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ANNEXURE B: TERMINATION RIGHTS AND ENTITLEMENTS

The Company has the right to terminate the service of Mr McInnes

- Where the Board decides to terminate the employment “with cause” it may do so by giving notice effective forthwith and without payment of any salary, allowances or incentives of any nature other than as accrued to the date of termination;
- “Without cause”, subject to 12 months written notice. If the Company exercises this right, Mr McInnes will be entitled to receive (subject to the performance criteria set out in the CEO Agreement being met and subject to whether notice of termination is provided pre or post 31 July 2006) all or part of each of the components of his total remuneration package under the CEO Agreement (including the Retention Bonus).

Mr McInnes has the right to terminate the CEO Agreement at any time after 31 July 2006 subject to providing 12 months written notice. If he exercises this right, he will be entitled to receive each of the components of his total remuneration package (excluding any Retention Bonus rights) accrued to the termination date. Mr McInnes may in limited circumstances and with the Board’s prior approval terminate the CEO Agreement prior to 31 July 2006. Under these circumstances the non-compete clause is broadened and extended and all future benefits forfeited.

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