

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or otherwise transfer or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-entitlement) in Debenhams plc (the “Company”) held in certificated form before the close of business on 2 June 2009, please forward this document (and, if you are a Qualifying Non-CREST Shareholder, the Application Form which, subject to certain exceptions, you are being sent) at once to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee. Neither this document nor the Application Form (which, subject to certain exceptions, you are being sent if you are a Qualifying Non-CREST Shareholder) should, however, be distributed, forwarded to or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Restricted Jurisdictions. Please refer to paragraph 6 of Part 3 (“Terms and Conditions of the Open Offer”) of this document if you propose to send this document and/or the Application Form outside the United Kingdom. If you sell or otherwise transfer or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-entitlement), please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected. Instructions regarding split applications will be set out in the Application Form. If you sell or transfer or have sold or otherwise transferred your Existing Ordinary Shares held in uncertificated form before the close of business on 2 June 2009, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee through CREST.

The distribution of this document and/or the Application Form and/or the allotment, issue and/or transfer of the New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the Application Form come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the Application Form and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or the Restricted Jurisdictions.

This document comprises a prospectus relating to the Company, the offer of New Ordinary Shares under the Capital Raising and admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and has been prepared in accordance with the Listing Rules made under section 73A of the FSMA and the Prospectus Rules made under Part VI of the FSMA (the “Prospectus Rules”). This document will be made available to the public in accordance with the Prospectus Rules.

The whole of this document, and any documents incorporated herein by reference, should be read. Shareholders and any other persons contemplating a purchase of Shares should review the risk factors set out on pages 9 to 18 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Open Offer.

Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in Part 10 (“Definitions”) of this document.

DEBENHAMS

Debenhams plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 05448421)

**Firm Placing of 161,592,513 New Ordinary Shares at 80 pence per New Ordinary Share and
Placing and Open Offer of 242,388,770 New Ordinary Shares at 80 pence per New Ordinary Share**

Citi
*Joint Global Co-ordinator, Joint
Bookrunner and Joint Sponsor*

Merrill Lynch International
*Joint Global Co-ordinator, Joint
Bookrunner and Joint Sponsor*

Lazard & Co., Limited
*Financial Adviser and Joint
Sponsor*

Barclays Capital
Joint Lead Manager

Lloyds TSB Corporate Markets
Joint Lead Manager

RBS Hoare Govett
Joint Lead Manager

The latest time for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. (London time) on 22 June 2009. The procedure for acceptance and payment is set out in Part 3 (“Terms and Conditions of the Open Offer”) of this document and, for Qualifying Non-CREST Shareholders only, is also set out in the Application Form.

The Existing Ordinary Shares have been admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities. Application will be made to the UK Listing Authority for the New Ordinary Shares to be issued in connection with the Capital Raising to be admitted to listing on the Official List of the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 26 June 2009.

Each of the Banks is authorised and regulated by the Financial Services Authority in the United Kingdom and is acting for the Company and no one else in connection with the Capital Raising and is not and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or any matters referred to in this document.

Qualifying Non-CREST Shareholders, other than (subject to certain exceptions) those with registered addresses in Australia, Canada, Japan, South Africa or the United States, are being sent an Application Form. Qualifying CREST Shareholders (none of whom are being sent an Application Form), other than (subject to certain exceptions) those with registered addresses in Australia, Canada, Japan,

South Africa or the United States, are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Shares to which they are entitled on 8 June 2009. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Neither this document nor the Application Form constitutes or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Ordinary Shares to be issued in connection with the Capital Raising, in any jurisdiction in which such an offer or solicitation is unlawful. **The New Ordinary Shares have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, taken up, exercised, resold or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state securities laws.** The New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. Except as otherwise provided for herein, neither this document nor any Application Form constitutes an offer of New Ordinary Shares to any Shareholder with a registered address in, or located in the United States or who has a registered address or is resident in Australia, Canada, Japan, South Africa or the United States. The Banks may arrange for the placing of New Ordinary Shares (x) to persons reasonably believed to be “qualified institutional buyers”, as defined in Rule 144A under the Securities Act (“QIBs”), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act and (y) in accordance with Regulation S under the Securities Act. Subject to certain exceptions, Application Forms are not being, and will not be, posted to any person with a registered address in Australia, Canada, Japan, South Africa or the United States. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other obligation to forward this document and/or the Application Form to a jurisdiction outside the United Kingdom is drawn to paragraph 6 of Part 3 (“Terms and Conditions of the Open Offer”) of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

This document is dated 5 June 2009.

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SUMMARY

THE FOLLOWING SUMMARY INFORMATION SHOULD BE READ AS AN INTRODUCTION TO THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS DOCUMENT. ANY INVESTMENT DECISION RELATING TO THE CAPITAL RAISING SHOULD BE BASED ON THE CONSIDERATION OF THE DOCUMENT AS A WHOLE, INCLUDING THE INFORMATION RELATING TO DEBENHAMS INCORPORATED BY REFERENCE, AND NOT SOLELY ON THIS SUMMARISED INFORMATION.

Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

The Capital Raising

The Company is undertaking a share issue to raise approximately £306.4 million net of expenses by the issue of 161.6 million New Ordinary Shares (40% of the Capital Raising) through a Firm Placing and 242.4 million New Ordinary Shares (60% of the Capital Raising) through a Placing and Open Offer, each at 80 pence per New Ordinary Share. The Issue Price represents a 13.3% discount to the Closing Price of 92.3 pence per Ordinary Share on 3 June 2009 (being the last dealing day before the announcement of an intended capital raising).

The Group

Debenhams is a leading multi-category retailer in the United Kingdom and Republic of Ireland with strong offerings in its key product categories of womenswear, menswear, homewares, health and beauty, accessories and childrenswear. Debenhams offers a unique and differentiated customer proposition through its mix of exclusive own label brands (including “Designers at Debenhams”) and third party brands. Debenhams is the second largest department store chain in the United Kingdom and has been a consistent long term market share winner, increasing its department store market share from 12.0% in 1996 to 17.8% in 2008 (source: Verdict UK Department Stores 2009).

Background to and reasons for the Transaction

The Directors are confident about the operational prospects for the long term growth of the Group. However, they also recognise that the level of indebtedness in the Group has an ongoing negative impact on sentiment towards Debenhams and its valuation. The continued tightening of global credit markets has led the Directors to consider Debenhams’ options in relation to an appropriate capital structure and refinancing of certain of its debts. The Directors believe that the Group will benefit from the Transaction in four ways. First, it will reduce net debt and enhance the Company’s ability to refinance its debt facilities in the future. Secondly, it provides an opportunity to amend the covenants in the existing debt facility which will result in greater headroom and operational and financial flexibility. Thirdly, the Transaction will provide increased flexibility to opportunistically buy back debt in the market at below par. Finally, it will improve the Company’s ability to pursue opportunistic acquisitions of other retail assets that may become available if the current downturn persists.

Principal terms of the Capital Raising

The Capital Raising will consist of:

- a Firm Placing of 161.6 million New Ordinary Shares at the Issue Price, raising gross proceeds of approximately £129.3 million; and
- a Placing and Open Offer, pursuant to which Qualifying Shareholders are being invited to apply to acquire in aggregate 242.4 million Open Offer Shares at the Issue Price, raising gross proceeds of approximately £193.9 million.

The Firm Placing and the Placing and Open Offer are inter-conditional and conditional, among other things, on Shareholder approval, which will be sought at a General Meeting convened for 23 June 2009. If any of the conditions are not fulfilled or, in respect of certain conditions, waived the Capital Raising will not proceed.

The Managers, as agents for the Company, have made arrangements to place conditionally the Firm Placed Shares with the Firm Placees at the Issue Price. The Firm Placed Shares are not subject to clawback by Shareholders and therefore do not form part of the Open Offer.

The Managers, as agents for the Company, have also made arrangements to place conditionally, subject to clawback by Shareholders, the Open Offer Shares with the Placees at the Issue Price. Under the Open Offer, all Qualifying Shareholders are being invited to apply for 2.745604 Open Offer Shares for every 10 Existing Ordinary Shares held in their name as at the Record Date, at the Issue Price of 80 pence per New Ordinary Share. The Record Date is close of business on 2 June 2009. The Issue Price represents a discount of approximately 13.3% to the Closing Price on 3 June 2009.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and Application Forms cannot be traded. A Qualifying Shareholder that takes up its Open Offer Entitlement in full will be diluted by 12.6% as a result of the Firm Placing. A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer will suffer a more substantial dilution of 31.4% as a result of the Open Offer and the Firm Placing. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

The Firm Placing is fully underwritten by Citi UK and Merrill Lynch and the Placing and Open Offer is fully underwritten by the Underwriters, each pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 15.1 of Part 8 (“Additional Information”) of this document.

The latest date for acceptance and payment in full under the Open Offer is expected to be 11.00 a.m. (London time) on 22 June 2009, with Admission and commencement of dealings in New Ordinary Shares expected to take place at 8.00 a.m. (London time) on 26 June 2009.

Sale of Existing Ordinary Shares by CVC

The Company has been informed that the CVC Shareholder Group has sold 51.0 million Existing Ordinary Shares at the Issue Price, which will reduce its holding to 33.5 million Existing Ordinary Shares. CVC has entered into a lock-up agreement with the Managers, in which it agreed not to sell any of the Existing Ordinary Shares it has retained, until Admission. TPG has also entered into a lock-up arrangement on the same terms in respect of its 120,220,261 Existing Ordinary Shares.

Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from the Directors, CVC and TPG. These undertakings are given in respect of 230,369,202 Ordinary Shares, representing approximately 26.01% of the Company’s issued Ordinary Shares.

Key financial information on the Group

The selected financial information on the Group presented below is presented in pounds sterling, prepared in accordance with IFRS and extracted without material adjustments from the unaudited interim accounts for the 26 week periods ended 28 February 2009 and 1 March 2008 and the audited consolidated financial information of the Group for the financial years ended 30 August 2008, 1 September 2007 and 2 September 2006 incorporated by reference in Part 9 (“Relevant Documentation and Documentation Incorporated by Reference”) of this document.

Neither the Financial Information nor the other financial information presented in this document was prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”) or audited in accordance with auditing standards generally accepted in the United States (“US GAAS”). No opinion or any other assurance with regard to any financial information was expressed under US GAAS.

Consolidated income statement

	For the 26 weeks ended:		For the financial year ended:		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	(unaudited)		(audited)		
	£m (except as stated)				
Revenue	1,064.8	1,029.3	1,839.2	1,744.4	1,707.7
Cost of sales	(886.0)	(854.5)	(1,571.6)	(1,508.4)	(1,376.3)
Distribution costs	(24.9)	(26.9)	(50.0)	(47.0)	(53.0)
Administrative expenses	(19.2)	(20.4)	(41.5)	(39.2)	(54.8)
Operating profit	134.7	127.5	176.1	179.8	223.6
Profit before taxation	102.2	92.0	105.9	113.2	62.1
Profit for the financial period/year attributable to equity shareholders	81.2	65.1	77.1	79.0	43.7
Earnings per share attributable to equity shareholders (expressed in pence per share)	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share
Basic	9.3	7.6	9.0	9.3	7.4
Diluted	9.3	7.6	9.0	9.3	7.4

Consolidated cash flows

	For the 26 weeks ended:		For the financial year ended:		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	(unaudited)		(audited)		
	£m (except as stated)				
Net cash generated from operating activities	120.8	136.0	191.4	227.4	190.3
Net cash used in investing activities	(51.2)	(68.4)	(125.6)	(96.5)	(88.5)
Net cash used in financing activities	(2.5)	(36.1)	(148.0)	(51.9)	(165.5)
Net increase/(decrease) in cash, cash equivalents	67.1	31.5	(82.2)	79.0	(63.7)
Net cash and cash equivalents at beginning of financial period/year	(2.9)	79.3	79.3	0.3	64.0
Net cash and cash equivalents at end of financial period/year	64.2	110.8	(2.9)	79.3	0.3

Consolidated balance sheet

	As at:		As at:		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	(unaudited)		(audited)		
	£m	£m	£m	£m	£m
Assets					
Non-current assets	1,583.6	1,691.0	1,635.7	1,690.2	1,556.5
Current assets	487.8	441.3	348.6	393.6	305.7
Liabilities					
Current liabilities	(632.2)	(641.8)	(645.3)	(609.4)	(462.3)
Non-current liabilities	(1,276.6)	(1,314.5)	(1,213.7)	(1,311.4)	(1,346.6)
Net assets	162.6	176.0	125.3	163.0	53.3
Shareholders' equity	162.6	176.0	125.3	163.0	53.3

Current trading and prospects

The Company announced its interim results for the 26 week period ended 28 February 2009 on 23 April 2009 and these results are incorporated by reference into Part 9 of this document.

The Company released an interim management statement for the 12 weeks to 23 May 2009 on 4 June 2009. For this 12 week period, gross transaction value was 3.0% higher than the same period last year. Like-for-like sales were 0.8% lower than last year (excluding VAT).

Debenhams has continued to gain total fashion market share* as customers find favour with its ongoing strategy of increasing the quality and value of its products (*source: TNS Worldpanel Fashion 26 weeks market share data to 26 April 2009 versus 2008).

The Directors' focus in running the business has continued to be on the levers which drive cash margin. The improvements made over the past 18 months to the design, quality and value of own bought product ranges – particularly “Designers at Debenhams” – have led to continued good performance in these areas, resulting in a 90 basis point gross margin gain for the 12 weeks compared with the same period last year. This, alongside the ongoing disciplined management of costs, stocks and the balance sheet, has contributed to profit before tax and EBITDA for the 12 weeks to 23 May 2009 both being ahead of the prior year. Although the outlook for consumer confidence for the remainder of the 2009 financial year is uncertain, given the performance of the business so far this year, at this time the Directors remain confident in the Company's trading strategy and the outturn for the full year.

Dividend policy

The Directors did not propose an interim dividend for 2009 despite a robust trading performance, total fashion market share gains and strong cash generation in the first half of the 2009 financial year. This decision was taken due to the Directors' belief that, in order to maximise value for shareholders in the current environment, it is important that leverage is taken off the agenda while prudent capital investment in higher returning projects is maintained across the business, particularly in relation to the new store programme and any opportunistic acquisitions that may arise. It is the Directors' intention to return to paying a dividend as soon as they believe it is financially prudent to do so. The cash cost of dividend payments in the financial year ended 30 August 2008 was £44.4 million.

Capitalisation and indebtedness

As at 28 February 2009, the Company's total capitalisation was £162.6 million. As at 25 April 2009, net financial indebtedness was £971.1 million.

Summary of risk factors

Shareholders should carefully consider the following key risks, each of which is described in more detail in the section of this document entitled “Risk Factors”:

Risks relating to the business of the Group

- it may breach certain covenants in its debt facilities if the Resolutions in favour of the Capital Raising are not passed;
- continuing adverse economic conditions may have a material adverse effect on its results;
- it has significant leverage;
- the sector in which it operates is highly competitive;
- it may not be able to predict accurately or fulfil customer preferences or demand;
- it depends upon key management and other personnel and the departure of such management or personnel could adversely affect its business;
- its business could suffer as a result of weak sales during peak selling seasons or extreme or unseasonal weather conditions;
- any events that negatively impact the reputation of, or value associated with, its brand could adversely affect its business;
- any disruption or other adverse event affecting its relationship with any of its major suppliers or its store card providers could adversely affect its business;
- its relationships with certain designers are important to its business and the loss of these relationships could have a material adverse effect on its business;
- its relationships with certain concessions are important to its business and the loss of a significant concession partner could have an adverse impact on its business;
- a large portion of its merchandise is manufactured by a small number of suppliers;
- a failure to develop and implement its new store rollout successfully may adversely affect its business;
- currency fluctuations and hedging risks could materially adversely affect its earnings and cash flow;
- factors outside its control, such as damage or interruptions due to operational disruption, increases in energy costs, natural disaster, terrorist activity or tax or regulatory changes, may have a material adverse effect on its results;
- risks associated with its properties may have a material adverse effect on its business, financial condition or results of operations;
- an increase in its funding needs or changes to obligations in respect of its pension schemes could have an adverse impact on its business in the longer term;
- any future acquisitions could consume significant resources and management attention; and
- its business may be materially adversely affected by changes to governmental regulations.

Risks associated with the Capital Raising and the New Ordinary Shares

- there may be volatility in the price of the Ordinary Shares;
- Shareholders may be subject to exchange rate risk;
- holders of Existing Ordinary Shares will experience a dilution of their percentage ownership of the Company's Ordinary Shares;
- the share price of the Company may be negatively affected if Shareholders do not take up their entitlements in respect of the Open Offer in full;
- pre-emptive rights may not be available for US and other non-UK holders of Ordinary Shares;
- it may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors; and
- the Company's ability to continue to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves.

RISK FACTORS

The Capital Raising and any investment in the Company's ordinary shares are subject to a number of risks. Accordingly, investors and prospective investors should consider carefully all of the information set out in this document and all of the information incorporated by reference into this document, including, in particular, the risks described below, prior to making any decisions on whether or not to make an investment in the Company. The following risks are the material risks of which the Directors are aware. Additional risks and uncertainties not presently known to the Company or the Directors, or that the Company or the Directors currently consider to be immaterial, may also have an adverse effect on the Group.

*The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment. **Investors and prospective investors should consider carefully whether an investment in the Company is suitable for them, in the light of the information set out in this document and the information incorporated by reference into this document and the financial resources available to them.***

Risks relating to the business of the Group

Debenhams may breach certain covenants in its debt facilities if the Resolutions in favour of the Capital Raising are not passed.

The Resolutions must be passed by Shareholders at the General Meeting in order for the Capital Raising to proceed and, due to the conditionality described above, in order for the amendments to the terms of the Company's existing debt facilities to take effect. Should the Resolutions not be passed, and therefore the amendment to the terms of the Company's existing debt facilities not take effect, the Directors believe there is a risk that, were the economic environment or trading performance of Debenhams to deteriorate materially, it is possible that the Company may breach certain covenants in its existing debt facilities in February 2010.

Without the proceeds of the Capital Raising, the Company would still have available to it a range of options to deal with any potential covenant breach, which it would seek to start implementing immediately if the Resolutions were not passed at the General Meeting. Such actions would be likely to include reducing the Company's cost base further, reducing capital expenditure further and conserving cash through stricter working capital management. If such actions were insufficient to address the risk of a covenant breach, the Company would seek to agree with its current lenders, who have been supportive in the context of the Company's current request to amend the existing bank facilities, that the relevant covenants be relaxed or that any breach of such covenants be waived. The Directors believe it is likely that the Company would be able to secure such an amendment or waiver but that such an amendment or waiver would be likely to require the payment of additional fees and potentially result in the imposition of more onerous obligations and restrictions on the Company than those which the Company has negotiated to date. However, it is possible that the Company may not be able to secure such an amendment or waiver and, in those circumstances, the Company would consider taking immediate steps, such as disposing of certain of the Company's assets or seeking alternative sources of financing, for example, equity fundraising.

Accordingly, in order to avoid these actions, it is important that Shareholders vote in favour of the Resolutions in order that the Transaction can proceed.

Continuing adverse economic conditions may have a material adverse effect on Debenhams' results.

Debenhams' results are impacted by the prevailing economic climate, levels of employment, real disposable income, salaries, wage rates including any increase as a result of payroll cost inflation or governmental action to increase minimum wages or contributions to pension provisions, interest rates, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. In the 2008 financial year, 97.6% of Debenhams' gross transaction value was derived from the United Kingdom and Republic of Ireland. Therefore, the general slowdown in the UK and Irish economies and the uncertain economic outlook may continue to adversely affect consumer spending

habits, which may reduce Debenhams' gross transaction value. In addition, many of the items that Debenhams sells, particularly fashion and homewares products, represent discretionary purchases, as a result of which it may experience a decline in sales, which in turn may have a material adverse effect on Debenhams' business, financial condition and results of operations. Although Debenhams' gross transaction value, revenue and operating profit increased in the 26 weeks ended 28 February 2009, like-for-like sales were down by 3.6% (excluding VAT) as compared to the 26 weeks ended 1 March 2008.

Debenhams has significant leverage.

As at 25 April 2009, the Group's net financial indebtedness was £971.1 million excluding debt capitalisation. The Group has experienced reduced headroom under certain of the financial covenants under its existing indebtedness, limiting the Group's available cash and financial flexibility. The Group's debt service obligations under existing debt facilities could have important consequences for its overall financial position, including: (a) a substantial portion of the dividends and other payments to the Company from its subsidiaries will be dedicated to the payment of principal and interest on its indebtedness, (b) the Group's ability in the longer term to obtain additional financing or refinancing may be limited due to the level of the Group's indebtedness or limitations in the lending market generally, (c) certain of the Group's borrowings are at variable rates of interest, which could cause the Group to be vulnerable to increases in interest rates, (d) the Group's indebtedness imposes financial and other restrictive covenants that limit the ability of the Group to, among other things, borrow additional funds and dispose of assets, and the failure, in the longer term, to comply with such restrictions may result in an event of default, which, if not cured or waived, could have a material adverse effect on the Group, (e) the Group's indebtedness could place the Group at a competitive disadvantage compared to those of its competitors that have less debt and (f) the Group's leverage may hinder the Group's ability to adjust rapidly, if required, to changing market conditions and could make the Group more vulnerable in the event of a further downturn in general economic conditions or its business. There can be no assurance that the Group's cash flow will be sufficient for repayment of the Group's indebtedness in the longer term. In particular, the existing debt facilities will need to be refinanced in or before April 2011 and there can be no assurance that the Group will be capable of refinancing the facilities, and any failure to do so could have a material adverse effect on its business, results of operations and financial condition in 2011. Debenhams is also subject to the risk that counterparties may be unable to honour pre-existing lending commitments in the longer term, which may adversely affect Debenhams' available cash and liquidity and could have a material adverse effect on its business, results of operations and financial condition in the longer term.

The sector in which Debenhams operates is highly competitive.

The retail industry is highly competitive, particularly with respect to merchandise selection and quality, store location and design, inventory, price, customer service, credit availability and advertising. Debenhams competes at the national and local levels with a wide variety of retailers of varying sizes and covering different product categories across all geographic markets in which it operates. Some of Debenhams' competitors are general retailers that compete with it in a number of product groups while others are specialist retailers that compete with it only in certain product categories. Debenhams also competes with supermarkets, warehouse clubs, discount stores, local independent retailers and mail-order or internet retailers that market similar lines of merchandise.

Debenhams faces a variety of competitive challenges including:

- anticipating and quickly responding to changing consumer demands;
- maintaining favourable brand recognition and effectively marketing its products to consumers in several diverse market segments;
- developing innovative, high-quality fashion products in styles that appeal to consumers of varying age groups and tastes;
- sourcing merchandise efficiently;
- pricing its products competitively; and
- changes in consumer behaviour as a result of economic conditions and as a result of changes in consumer spending patterns.

Actions taken by Debenhams' competitors, as well as actions taken by it to maintain its competitiveness and reputation, have placed and will continue to place pressure on its pricing strategy, margins and profitability. In the future, these factors could have a material adverse effect on Debenhams' business, results of operations and financial condition. Some of Debenhams' competitors may have greater financial resources, greater purchasing economies of scale and/or lower cost bases, any of which may give them a competitive advantage over Debenhams. Debenhams' competitors also may merge or form strategic partnerships, which could cause significant additional competition for Debenhams. See paragraph 6 ("Competition/market environment") of Part 4 ("Business Description") of this document.

Debenhams may not be able to predict accurately or fulfil customer preferences or demand.

Debenhams derives a significant amount of its gross transaction value from the sale of fashion-related products, which are subject to changing customer tastes. The availability of new products and changes in customer preferences has made it more difficult to predict sales demand accurately. As a multi-category retailer, Debenhams' success depends, in part, on its ability to predict and respond to changing consumer demands and preferences, and to translate market trends into appropriate, saleable merchandise offerings. Debenhams' ability to anticipate and respond to changing customer preferences and tastes depends, in part, on its ability to attract and retain key personnel in its buying, design, merchandising, marketing and other functions. Competition for such personnel is intense and Debenhams may not be able to attract and retain a sufficient number of qualified personnel in future periods.

Debenhams intends to increase its offer of sports and leisurewear. The success of this strategy will depend, in part, on Debenhams' ability to effectively predict, source and market at appropriate prices products in a category in which Debenhams has not had recent experience.

Furthermore, many of Debenhams' products are manufactured in China, Turkey and India. Accordingly, in some instances Debenhams must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. The long lead times between ordering and delivery and Debenhams' strategy to reduce its inventory levels make it more important to predict accurately, and more difficult to fulfil, the demand for items. There can be no assurance that Debenhams' orders will match actual demand. If Debenhams is unable to predict or respond to sales demand or to changing styles or trends successfully, its sales will be lower and it may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or it may experience inventory shortfalls on popular merchandise, any of which could have a material adverse effect on its business, financial condition and results of operations.

Debenhams depends upon key management and other personnel and the departure of such management or personnel could adversely affect its business.

Debenhams is highly dependent upon certain key senior management personnel who have extensive experience and knowledge of the retail industry. The successful implementation of Debenhams' strategy also depends on the availability of skilled management at its head office, buying and merchandising departments, distribution centres and major stores. Debenhams' success depends in part on its ability to continue to attract, motivate and retain other highly qualified employees. There can be no assurance that any of these key personnel will continue to be employed by Debenhams or that it will be able to attract and retain qualified personnel in the future. The loss of services of key personnel, or a failure to attract and retain qualified new personnel, could significantly delay or prevent the achievement of Debenhams' business plan and could have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams' business could suffer as a result of weak sales during peak selling seasons or extreme or unseasonal weather conditions.

Debenhams' business is subject to seasonal peaks. Historically, its most important trading period in terms of sales, operating results and cash flow has been the Christmas/January sale season, with approximately one-third of its sales occurring between the beginning of November and the end of January. Debenhams incurs significant additional expenses in advance of the Christmas season in anticipation of higher sales during that period, including the cost of additional inventory, advertising and hiring additional employees. In previous years, Debenhams' investment in working capital has peaked in early October and has fallen significantly in early January. Past trends indicate that, in addition to the Christmas season, a peak in sales occurs during May as a result of promotional events and seasonal sales. If sales during Debenhams' peak seasons, particularly the Christmas season, are significantly

lower than it expects for any reason, it may be unable to adjust its expenses in a timely fashion and may be left with a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, Debenhams may be forced to rely on markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on its business, financial condition and results of operations. At the same time, if it fails to purchase a sufficient quantity of merchandise, it may not have an adequate supply of products to meet consumer demand. This may cause Debenhams to lose sales.

Debenhams' results are also affected by periods of abnormal, severe or unseasonal weather conditions. Extended periods of unseasonal warm or cold weather could also render a portion of Debenhams' inventory incompatible with such unseasonal conditions. Adverse weather conditions early in the season could have a double impact on profitability, leading to a slowdown in sales at full margin followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions or temporary severe weather during one of Debenhams' peak trading seasons, such as the Christmas season, could materially adversely affect its gross transaction value and, in turn, its results of operations.

Any events that negatively impact the reputation of, or value associated with, Debenhams' brand could adversely affect its business.

The Debenhams brand is an important asset of its business. Maintaining the reputation of, and value associated with, the Debenhams brand is central to the success of its business. Debenhams' international business (outside the United Kingdom and Republic of Ireland) is conducted through franchising agreements. Accordingly, Debenhams depends on third-party franchisees to operate their businesses effectively, on ethical and commercially reasonable terms, and in a manner that does not negatively impact the reputation of the Debenhams name or its brands. In addition, a significant portion of Debenhams' apparel is manufactured in markets outside of the United Kingdom and Republic of Ireland, principally in China, Turkey and India. Debenhams requires its authorised manufacturers to operate in compliance with applicable laws and regulations. While Debenhams' policies set out standards for ethical business practices, Debenhams does not control these manufacturers or their labour practices. Unfavourable publicity concerning Debenhams, any of its brands or products or any of its franchisees or manufacturers or a substantial erosion in the reputation of, or value associated with, the Debenhams brand could have a material adverse effect on Debenhams' ability to attract and retain third party brands, designers, concessions and franchisees, and otherwise on Debenhams' business, financial condition or results of operations.

From time to time Debenhams is the subject of complaints and litigation from its customers, employees or other third parties, alleging product, injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. Unauthorised disclosure of, or access to, information on Debenhams' databases could also result in claims. These complaints and claims, even if successfully disposed of without direct adverse financial effect, could have a material adverse effect on Debenhams' reputation and divert its financial and management resources from more beneficial uses. If Debenhams were to be found liable under any such claims, its results of operations could be adversely affected.

Any disruption or other adverse event affecting Debenhams' relationship with any of its major suppliers or its store card providers could adversely affect its business.

Any significant disruption or other adverse event affecting Debenhams' relationship with any of its major suppliers or store card providers could have a material adverse effect on its business, financial condition and results of operations. For example, Debenhams' main store card provider, GE Capital Bank Limited, is responsible for administering and operating its store card and the successful operation of the store card programme is dependent on the store card provider and its personnel. If Debenhams needs to replace any of its major suppliers or store card providers, it may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of its major suppliers or store card providers on commercially reasonable terms, or at all, could have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams' relationships with certain designers are important to its business and the loss of these relationships could have a material adverse effect on Debenhams' business.

The "Designers at Debenhams" offering, which Debenhams maintains through its relationships with established and emerging designers, is a key factor in its reputation as a retailer of quality merchandise and its competitiveness and favourable reputation are based, in part, on its relationships with such

designers. Debenhams' relationships with its designers may increase in significance as Debenhams expands existing designer ranges as part of its strategy to increase sales of its own label merchandise. Many of these relationships in the United Kingdom and Republic of Ireland are subject to contractual arrangements under which the designer agrees to certain exclusivity provisions but not all of the relationships are subject to current written contracts and Debenhams has no legal assurance that any of its relationships or exclusivity arrangements will continue. If one or more of Debenhams' top designers were to cease providing Debenhams with their services, if designers were to demand significantly higher fees or royalties, or if the exclusivity arrangement were to change with regard to one or more of Debenhams' top designers, its business, financial condition and results of operations could be materially adversely affected. In addition, any decline in the popularity of one or more of its "Designers at Debenhams" brands could also have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams' relationships with certain concessions are important to its business and the loss of a significant concession partner could have an adverse impact on Debenhams' business.

Over 100 external brands currently operate concessions in Debenhams' stores in the United Kingdom and Republic of Ireland and 28.2% of Debenhams' sales was derived from concessions during the financial year ended 30 August 2008, and 24.4% for the 26 weeks ended 28 February 2009. Due to the current economic climate a number of concessions have run into financial difficulties. In addition, Debenhams has decided to remove, or reduce the amount of space it provides to, certain concessions with a view to allocating that space to Debenhams' own bought products. As concessions constitute an important part of Debenhams' business, the loss of a number of important concession partners (due to them suffering economic difficulties or otherwise), an inability to attract new and desirable concession partners or any other disruption of Debenhams' concession arrangements may have an adverse effect on its gross transaction value, and in turn, its results of operations. In addition, the disruption caused by switching areas from concession space to own bought space may reduce the gross transaction value generated by Debenhams during that switch.

A large portion of Debenhams' merchandise is manufactured by a small number of suppliers.

In the 2008 financial year, Debenhams' top 30 own label suppliers accounted for approximately one half of its own label merchandise intake. Debenhams' relationships with its suppliers are typically governed by individual purchase orders or invoices, which are subject to standard terms and conditions. In the event that one or more of Debenhams' major suppliers ceases to provide it with merchandise, becomes insolvent or experiences operational difficulties (for example due to the economic climate, accidents, equipment breakdowns or work stoppages) and Debenhams is unable to secure alternative sources in a timely manner or on commercially favourable terms, Debenhams may experience delays in delivery, inventory shortages or other adverse effects to its business. In the current economic climate, it may become more difficult for Debenhams to recover from its customers any increase in its suppliers' cost of goods. If Debenhams' suppliers are unable or unwilling to continue providing it with merchandise under current terms or if Debenhams is unable to obtain goods from its suppliers at prices that will allow its merchandise to be competitively priced due to cost inflation or otherwise, there could be a material adverse effect on Debenhams' business, financial condition or results of operations.

In addition, a significant portion of Debenhams' apparel is manufactured in markets outside of the United Kingdom and Republic of Ireland, principally in China, India and Turkey. Debenhams faces a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including, among others, political instability resulting in the disruption of trade; quotas and other trade regulations; delays associated with customs procedures, including increased security requirements applicable to foreign goods; imposition of taxes, other charges and restrictions on imports; currency and exchange rate risks; risks related to labour practices; environmental matters or other issues in the foreign countries or factories in which its merchandise is manufactured; risk of loss at sea or other delays in the delivery of products caused by transportation problems; and increased costs of transportation. Any of these risks, in isolation or in combination, could restrict the availability of merchandise or significantly increase the cost of Debenhams' merchandise, and could have a material adverse effect on Debenhams' reputation, business, financial condition or results of operations.

Some of Debenhams' suppliers insure their Debenhams business with third-party credit insurance. Certain of Debenhams' suppliers, due to the current economic climate, are having difficulty in obtaining such third-party credit insurance. Should a significant number of Debenhams' suppliers find it more difficult

to obtain credit insurance due to third-party credit insurers' desire to reduce their exposure to consumer facing markets or for any other reason, those suppliers may be reluctant to continue supplying Debenhams on the same terms and conditions of business. This could result in Debenhams having to vary such terms and conditions to its detriment or to seek alternative suppliers of some goods. This could have a material adverse effect on Debenhams' reputation, business, financial condition or results of operations.

A failure to develop and implement Debenhams' new store rollout successfully may adversely affect its business.

An important part of Debenhams' strategy is its new store rollout programme. The success of this programme will depend, in part, on its ability to open and operate new stores on a timely and cost-effective basis while continuing to increase sales at its existing stores. The opening of new stores could result in the diversion of sales from its existing stores in certain cases.

Debenhams typically enters into contracts with developers to build new department stores three to five calendar years prior to their scheduled openings. If Debenhams chooses to close one of its existing department stores, it would need either to terminate the lease of that department store or assign the lease to a third party, either of which might take a relatively long time and may require the payment of a financial penalty. Accordingly, Debenhams' commitment to complete a new department store once the process has started and the relatively long time that it might take to close one of its department stores may affect its ability to adjust its department store portfolio to changing economic and market conditions. In addition, Debenhams determines its investment in new stores or store development, to some extent, on the basis of the historical performance of stores but historical performance will not necessarily give a good indication of the future profitability of stores. Debenhams can give no assurance that any investment by it in new department stores or any of its other expansion or store modernisation plans will be profitable.

Successful execution of Debenhams' new store rollout programme also depends upon a number of other factors, including the identification of prime store sites; the ability of developers to fulfil their commitments on schedule; the negotiation of acceptable financial terms; the hiring, training and retention of qualified personnel; the level of existing and future competition in areas where new stores are to be located; Debenhams' ability to integrate new stores in its operations on a profitable basis; the capability of its existing distribution system to accommodate new stores; the ability to attract customers and generate sales; and general macroeconomic conditions in the United Kingdom and Republic of Ireland. If Debenhams' new store rollout programme is not successful, Debenhams may experience reduced growth or decline in gross transaction value, and may be required to write down the value of any stock acquired for sale in an uncompleted new store. There can be no assurance that Debenhams will be able to open new stores on a timely or profitable basis or that it will be able to secure prime real estate sites on acceptable terms.

Currency fluctuations and hedging risks could materially adversely affect Debenhams' earnings and cash flow.

Debenhams' business is subject to risks due to fluctuations in currency exchange rates. A substantial proportion of Debenhams' imports are paid for in US dollars (US\$330.4 million in the 2008 financial year). Debenhams' sales are denominated primarily in pounds sterling, and Debenhams reports its consolidated financial results in pounds sterling. However, sales in its eleven stores in the Republic of Ireland are denominated primarily in euro. The exchange rates between US dollars and pounds sterling, and between euro and pounds sterling, have fluctuated in recent years and may fluctuate significantly in the future. Although Debenhams may benefit from any future weakening of the US dollar or strengthening of the euro, it could be adversely affected by future unfavourable shifts in currency exchange rates, particularly by a strengthening of the US dollar compared to the pound sterling. Although Debenhams engages in foreign exchange hedging transactions, Debenhams' hedging strategies may not adequately protect its operating results from the effects of exchange rate fluctuations or may limit any benefit that it might otherwise receive from favourable movements in exchange rates.

Factors outside Debenhams' control, such as damage or interruptions due to operational disruption, increases in energy costs, natural disaster, terrorist activity or tax or regulatory changes, may have a material adverse effect on its results.

Debenhams' business activities rely to a significant degree on the efficient and uninterrupted operation of its various computer and communications systems and those of third parties. Debenhams has an office in Taunton that serves as the primary site for all of its computer and communications systems. Any

significant breakdown of plant or equipment, accident such as a serious flood or fire or other significant disruption to the operations of Debenhams' Taunton facility, such as computer viruses, vandalism, theft or security breaches could significantly affect its ability to manage its information technology systems, which in turn could have a material adverse effect on Debenhams' business, financial condition or results of operations.

Increases in energy or other commodity costs, including electricity, gas and fuel, may increase the cost of sales and adversely impact Debenhams' results of operations due to consequential increases in operating costs.

Any major breakdown of plant or equipment, or accident such as a serious fire or flood, in Debenhams' head office or in one or more of Debenhams' principal distribution centres, in particular its distribution centre in Peterborough, might significantly impact its ability to manage its operations, distribute products to its stores and maintain an adequate product supply chain. Such disruption could have an adverse effect on Debenhams' in-store inventory and therefore could materially adversely affect its gross transaction value, results of operations and financial condition. In addition, any disruption to the business of DHL or Ventura (Debenhams' main distributors) could have a similar material adverse effect on Debenhams' operations. Such effects could become more pronounced as Debenhams both continues to reduce its inventory levels and increases the concentration of distribution carried out through its Peterborough distribution centre, which may make it more important that its distribution centres and the rest of its supply chain function effectively and without disruption. A disaster or disruption in the infrastructure that supports Debenhams' business could have a material adverse effect on its ability to continue to operate its business without interruption. Debenhams' disaster recovery procedures may not be sufficient to mitigate the harm that may result from such a disaster or disruption.

Any terrorist attacks or armed conflicts or other geopolitical uncertainty could result in a significant reduction in consumer confidence and spending levels, and therefore could have a material adverse effect on Debenhams' sales and results of operations.

Risks associated with Debenhams' properties may have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams' stores are held principally through leasehold interests that are generally subject to periodic rent reviews and renegotiations. The majority of Debenhams' property leases provide for upwards-only adjustments to rent upon rent reviews, and certain of its property leases provide for automatic periodic escalation of rents. As a result, Debenhams is susceptible to fluctuations in the property rental market. In addition, Debenhams' ability to obtain real estate to open new stores depends upon the availability of real estate that meets its criteria and its ability to negotiate terms that meet its financial targets. In addition, Debenhams may not be able to renew its existing store leases, generally if the landlord is able to establish legal grounds for non-renewal or if a contracted out lease comes to an end. Certain of Debenhams' head office leases expire in the next two years. These factors may result, among other things, in significant alterations in rental terms (including rental rates and service charges), in an inability to achieve site renewals, the closure of stores in desirable locations or in a failure to secure real estate locations adequate to meet annual targets. As a result, any of these factors could have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams is potentially subject to a number of contingent liabilities arising from the sales of leases by members of the Group and guarantees which may have been given in respect of leases taken by former members of the Group. In the event that an assignee or former member of the Group should default under such a lease, the lease could revert to a member of the Group. The relevant member of the Group would then be liable for the fulfilment of obligations under the lease.

In modernising or refurbishing its existing stores Debenhams may require consents from its landlords or local authorities. If any such works are carried out, or have been carried out, without such consents, disputes may arise which may result in Debenhams having to undertake reinstatement works or the landlord may seek forfeiture of the relevant lease. The Directors are not aware of any such disputes currently.

Debenhams' property portfolio comprises properties that have been constructed at various times and a number of its properties have been constructed in areas that have historically been the subject of commercial or industrial use. It is possible that on-site pollution or contamination could have been

caused by such previous uses, or in limited circumstances by current uses, for which it is possible that Debenhams could be held liable. Although the Directors are not aware of any relevant liability, claims or actions, a claim or regulatory action against Debenhams for pollution or contamination could have a material adverse effect on its business, financial condition and results of operations.

Debenhams' property portfolio includes 71 department stores and offices where materials containing asbestos are present. Pursuant to applicable law and regulations relating to asbestos, Debenhams is subject to duties to manage the risks of asbestos in its premises, which include ensuring that so far as reasonably practicable no person can come to harm from the presence of asbestos on the premises. This may involve isolating, encapsulating or removing asbestos that is found to be in a poor condition. Debenhams has developed and implemented an asbestos management plan which incorporates a set of policies and procedures to assist it to manage the asbestos risks in its properties. The ongoing management of asbestos by Debenhams will involve additional expenditure over forthcoming years and may in certain circumstances require full or partial closure of certain Debenhams properties. Any failure to manage the asbestos in its properties could result in Debenhams incurring fines or other liabilities, adversely affect Debenhams' reputation and/or cause the full or partial closure of such properties, each of which could have a material adverse effect on its business, financial condition or results of operations.

An increase in the Group's funding needs or changes to obligations in respect of its pension schemes could have an adverse impact on its business in the longer term.

The Group has two occupational defined benefits pension schemes, as described in "Pension schemes" in paragraph 12 of Part 8 ("Additional Information") of this document. Both schemes were closed for future service accrual from 31 October 2006. The formal actuarial funding valuations of the pension schemes are normally carried out every three years. The relevant data obtained to date by the actuary from the 31 March 2008 valuation shows the balance sheet deficit associated with the Group's pension schemes at 28 February 2009 was £8.7 million. The result of the triennial valuation is that the rate of employer contributions payable under the agreed schedule of contributions will remain at the same level as agreed for the last three years until the effective date of the next valuation, 31 March 2011. There are various risks that could adversely affect the funding of the defined benefits under such schemes, and consequently the Group's funding obligations in the longer term, such as the poor investment performance of pension fund investments; the schemes' trustees switching to an investment strategy not having the appropriate mix of equities, bonds and other investments; the schemes' trustees increasing employer contributions to the schemes; longer life expectancy; adverse annuity rates; or a change in the actuarial assumptions. An increase in the Group's pension related liabilities could have a material adverse impact on the Group's profits and cash flow in the longer term. The trustees have confirmed that the schemes will have no call on funds raised from the Capital Raising, subject to any intervention by the Pensions Regulator and to review if there were to be a material decline in investment values or a significant change to Debenhams' covenant. The Directors have no reason to believe that the trigger points for any of these events are likely to occur.

Any future acquisitions could consume significant resources and management attention.

From time to time the Company evaluates acquisition opportunities and may acquire or make significant investments in complementary businesses. There can be no assurance that any such investment or acquisition will be successful. The success of any future acquisition will depend on senior management's ability to identify, negotiate and complete such acquisitions and integrate such businesses. Failure to manage and successfully integrate acquired businesses could harm Debenhams' business. Acquisitions involve numerous risks, including difficulties in integrating the operations and staff of the acquired businesses; the diversion of management's attention away from the normal daily operations of the business; insufficient additional revenue to offset increased expenses associated with acquisitions and the potential loss of key employees of the acquired businesses, the occurrence of one or more of which could have a material adverse effect on Debenhams' business, financial condition or results of operations.

Debenhams' business may be materially adversely affected by changes to governmental regulations.

Debenhams' business operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. Debenhams' business is subject to various laws applicable to businesses generally, including, but not limited to, laws affecting health and safety, environmental, fire, tax, protection of customer and employee data, landlord tenant, product safety, quality and liability, transportation, labour and employment practices (including pensions) and competition. There can be

no assurance that Debenhams will not incur material costs or liabilities in connection with regulatory requirements. Future developments in laws and regulations concerning Debenhams' business may materially adversely affect its business, financial condition or results of operations.

Risks relating to the Capital Raising and the New Ordinary Shares

There may be volatility in the price of the Ordinary Shares.

The market price of the New Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the sector or equities generally, any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, and the publication of research analysts' reports regarding the Company or the sector generally. Stock markets have in the past, and particularly in recent times, experienced significant price and volume fluctuations which have affected market prices for the Company's securities. Furthermore, the Group's operating results and prospects from time-to-time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares.

Shareholders may be subject to exchange rate risk.

The New Ordinary Shares are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements in their local currency against pounds sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

Holders of Existing Ordinary Shares will experience a dilution of their percentage ownership of the Company's Ordinary Shares.

Shareholders' proportionate ownership and voting interest in the Company will be reduced as a result of the Firm Placing. In addition, to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their Existing Ordinary Shares represent of the Enlarged Issued Share Capital will be reduced accordingly. Subject to certain exceptions, Shareholders in the United States or any of the Restricted Jurisdictions will not be able to participate in the Open Offer.

The share price of the Company may be negatively affected if Shareholders do not take up their entitlements in respect of the Open Offer in full.

If Shareholders do not apply for a material amount of their Open Offer Entitlements, the share price of the Company might be affected negatively.

Pre-emptive rights may not be available for US and other non-UK holders of Ordinary Shares.

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the Companies Act 1985 unless such rights are waived by a special resolution of the Shareholders at a general meeting (as proposed in respect of the Capital Raising), or in certain circumstances stated in the Articles, and such an issue could dilute the interests of the then existing Shareholders. To the extent that pre-emptive rights are granted, US and certain other non-UK holders of the Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements thereunder is available. The Placing and Open Offer will not be registered under the Securities Act. Qualifying Shareholders who have a registered address, or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers about whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements or acquire Open Offer Shares.

It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.

The Company is incorporated in England and Wales. Most of the Company's assets are located in the UK and all of the Directors are resident in the UK. As a result, it may not be possible for investors outside of the UK to effect service of process outside the UK against the Company or the Directors or to enforce the judgment of a court outside the UK against the Company or the Directors.

The Company's ability to continue to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves.

The Company's ability to pay dividends is limited under English company law, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Existing Ordinary Shares or the New Ordinary Shares. The Company can give no assurance that it will be able to pay a dividend on its Ordinary Shares in the future.

CAPITAL RAISING STATISTICS

Issue Price for each Open Offer Share and each Firm Placed Share	80 pence
Number of Ordinary Shares in issue as at 4 June 2009 (being the latest practicable date prior to the publication of this document)	882,825,016
Number of Open Offer Shares to be issued pursuant to the Open Offer	242,388,770
Number of Firm Placed Shares to be issued pursuant to the Firm Placing	161,592,513
Number of Ordinary Shares in issue immediately following completion of the Capital Raising	1,286,806,299 ⁽¹⁾
Open Offer Shares as a percentage of the Enlarged Issued Share Capital	18.8% ⁽¹⁾
Firm Placed Shares as a percentage of the Enlarged Issued Share Capital	12.6% ⁽¹⁾
Number of New Ordinary Shares subject to irrevocable undertakings	235,347,774
Estimated aggregate net proceeds of the Capital Raising after estimated total expenses	£306,350,300
Estimated aggregate expenses of the Capital Raising	£16,834,726

Notes

- (1) Based on the maximum number of Ordinary Shares which may be issued/in issue disregarding fractional entitlements which may arise under the Placing and Open Offer. This assumes that no awards granted under the Debenhams Share Plans are exercised between 4 June 2009 (being the latest practicable date prior to the publication of this document) and completion of the Capital Raising.

EXPECTED TIMETABLE

The following is the expected timetable of principal events in relation to the Capital Raising:

	2009
Record Date for entitlements under the Open Offer	5.00 p.m. on Tuesday 2 June
Announcement of the Capital Raising	Thursday 4 June
Ex-entitlement date for the Open Offer	8.00 a.m. on Friday 5 June
Despatch of Prospectus and Circular and, to Qualifying Non-CREST Shareholders only, the Application Forms	Friday 5 June
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	8.00 a.m. on Monday 8 June
Recommended last time and date for withdrawing Open Offer Entitlements from CREST	4.30 p.m. on Tuesday 16 June
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on Wednesday 17 June
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on Thursday 18 June
Expected latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	11.00 a.m. on Sunday 21 June
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on Monday 22 June
General Meeting of Shareholders	11.00 a.m. on Tuesday 23 June
Expected date of announcement of results of the Capital Raising through a Regulatory Information Service	Tuesday 23 June
Expected date of Admission and commencement of dealings in New Ordinary Shares on the London Stock Exchange and New Ordinary Shares credited to CREST stock accounts (uncertificated holders only)	8.00 a.m. on Friday 26 June
Expected date of despatch of definitive share certificates for New Ordinary Shares (to Qualifying non-CREST Shareholders only)	Monday 29 June

Notes

- (1) References to times in this document are to London time unless otherwise stated.
- (2) CREST Shareholders should inform themselves of CREST's requirements in relation to electronic proxy appointments.
- (3) Subject to certain restrictions relating to Shareholders with a registered address outside the UK, details of which are set out in Part 3 ("Terms and Conditions of the Open Offer") of this document.

The times and dates set out in the expected timetable of principal events above and mentioned throughout this document are indicative only and subject to change. If any of the times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service.

Different deadlines and procedures may apply in certain cases. For example, Shareholders that hold their Ordinary Shares through a CREST member or other nominee may be set earlier deadlines by the CREST member or other nominee than the times and dates noted above.

Pursuant to the Placing Agreement, the Company and the Banks have agreed that if a supplementary prospectus is issued by the Company two or fewer Business Days prior to the date specified in the expected timetable of principal events above as the expected latest time and date for acceptance and payment in full under the Open Offer (or such later date as may be agreed by the Company and the Banks), such date shall be deemed to be the date which is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date will be adjusted accordingly).

If you have any queries on the procedure for acceptance and payment, you should contact the Registrar at Equiniti Limited, telephone 0871 384 2766 (from inside the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (international calls). The helpline is available between the hours of 8.30 a.m. and 5.30 p.m. (London time) on Monday to Friday excluding public holidays in the UK.

IMPORTANT INFORMATION

Market and industry information

Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Cautionary note regarding forward looking statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “projects”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could”, “should” or “continue” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, among other things, the results of operations, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company’s ability to control or predict. Forward looking statements are not guarantees of future performance. The Company’s or the Group’s actual results of operations, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the results of operations and dividend policy of the Company or the Group as the case may be, and the development of the industry in which it operates, are consistent with the forward looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to those described in the section of this document entitled “Risk Factors”.

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the sections of this document entitled “Summary”, “Risk Factors”, Part 1 (“Letter from the Chairman of Debenhams plc”) and Part 7 (“Operating and Financial Review”) for a further discussion of the factors that could affect the Group’s future performance and the retail sector. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this document and/or the information incorporated by reference into this document may not occur. For the avoidance of doubt, nothing in this paragraph qualifies the working capital statement set out in paragraph 20 of Part 8 (“Additional Information”) of this document.

The forward looking statements contained in this document speak only as of the date of this document. Other than in accordance with their legal or regulatory obligations (including under the Listing Rules and/or the Prospectus Rules and/or the Disclosure and Transparency Rules) and as required by the FSA, the London Stock Exchange or the City Code, neither of the Company or the Banks undertakes any obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Presentation of financial information

Debenhams presents its annual accounts as of the Saturday closest to 31 August of each year, which occasionally results in a 53 week financial year. Debenhams did not have a 53 week financial year in the historical numbers presented in this document and the next 53 week financial year occurs in the 2011 financial year.

Financial information, unless otherwise stated, has been extracted from the Annual Report and Accounts for the financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 or from the unaudited interim consolidated financial statements of the Company and its subsidiaries for the 26 week periods ended 1 March 2008 and 28 February 2009. Where information has been extracted from the Annual Report and Accounts of the Group, the information is audited unless otherwise stated. Where the information has been extracted from the interim consolidated financial statements, the information is unaudited.

Unless otherwise indicated, financial information for the Group in this document and the information incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS, IFRIC interpretations and those parts of the Companies Act applicable to companies reporting under IFRS. It therefore complies with Article 4 of the EU IAS Regulation.

The audited consolidated financial statements have been prepared in accordance with the historical cost convention method, as modified by the revaluation of the Group's investment properties in the income statement. IFRS also requires an alternative treatment to the historical cost convention in certain circumstances (principally in the areas of retirement benefit obligations, share based payments and financial instruments).

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Neither the Financial Information nor the other financial information presented in this document was prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") or audited in accordance with auditing standards generally accepted in the United States ("US GAAS"). No opinion or any other assurance with regard to any financial information was expressed under US GAAS.

No profit forecast

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

Notice to investors in the United States

Subject to certain exceptions, this document will not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Ordinary Shares to any Shareholder with a registered address in, or who is located in, the United States. Notwithstanding the foregoing, the Company reserves the right to offer and sell the New Ordinary Shares in transactions exempt from, or not subject to, the registration requirements under the Securities Act. Any person acquiring Open Offer Shares will be required to represent that such person (i) is not within the United States or any of the Restricted Jurisdictions; (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares; (iii) is not acquiring the Open Offer Shares for the account of a person located within the United States unless (a) the instruction to acquire was received from a person outside the United States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that it is acquiring the Open Offer

Shares in an “offshore transaction” within the meaning of Regulation S; and (iv) is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Open Offer Shares into the United States, any Restricted Territory or any other jurisdiction referred to in clause (ii) above.

Notwithstanding the above representations, where proof has been provided to the Company’s satisfaction that Open Offer Shares are being acquired by a person that is, or is acting on behalf of, a QIB, and that such acquisition will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction, the Company may allow such acquisition on the terms and conditions, and subject to the requirements, set out in paragraph 6.2 of Part 3 (“Terms and Condition of the Open Offer”) of this document.

In addition, the Banks may place the New Ordinary Shares (i) in accordance with Regulation S under the US Securities Act or (ii) to persons reasonably believed to be QIBs in reliance on an exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act. Any such persons are notified that such offers may be being made in reliance on the exemption from the registration requirements of section 5 of the US Securities Act provided by Rule 144A.

Any person in the US who obtains a copy of this document and who is not a QIB is required to disregard it.

Available information

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the New Ordinary Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders’ meetings and other reports and communications that the Group generally makes available to Shareholders.

Overseas territories other than the United States and the Restricted Jurisdictions

Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, all countries other than the United Kingdom (other than the United States or any of the Restricted Jurisdictions) should refer to paragraph 6.4 of Part 3 (“Terms and Conditions of the Open Offer”) of this document.

Currency exchange rate information

Unless otherwise indicated, all references in this document to:

- “sterling”, “pounds sterling”, “£”, “pence”, “penny” or “p” are to the lawful currency of the UK;
- all references to “Euro” or “€” are to the lawful currency of the member states of the European Union who adopted the Euro in Stage Three of the Treaty establishing Economic and Monetary Union on 1 January 1999; and
- all references to “\$” “USD” or “U.S. dollar” relate to the legal currency of the United States of America.

Fluctuations in the exchange rate between pounds sterling and the US dollar will affect the US dollar amounts received by holders of the Shares of the Company on conversion of payments paid in pounds sterling on the Shares of the Company.

The table below sets out period-end, average, high and low exchange rates of US dollars per pound sterling for each calendar year indicated. Yearly averages are computed using the noon buying rate for the Euro in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of each month during the period indicated.

Year	U.S. dollars per £1.00			
	Period end	Average ⁽ⁱ⁾	High	Low
2004.....	1.9160	1.8330	1.9482	1.7544
2005.....	1.7188	1.8204	1.9292	1.7138
2006.....	1.9586	1.8434	1.9794	1.7256
2007.....	1.9843	2.0020	2.1104	1.9235
2008.....	1.4619	1.8546	2.0311	1.4395
2009 (through 4 June).....	1.6171	1.4718	1.6662	1.3503

(i) The average of the noon buying rates on the last business day of each month during the relevant year.

The noon buying rate of the pound sterling on 4 June 2009 was \$1.6171 per £1.00.

The Company prepares its financial statements in pounds sterling.

Enforcement of civil liabilities

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Company's Memorandum and Articles of Association. These rights differ from the rights of shareholders of typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

No incorporation of website information

Except to the extent expressly set out in Part 9 of this document ("Relevant Documentation and Documentation Incorporated by Reference"), neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document.

Miscellaneous

The New Ordinary Shares will, on Admission, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of this document. Certain information in relation to the Group has been incorporated by reference into this document. You should also refer to the section of this document entitled "Relevant Documentation and Documentation Incorporated by Reference" in Part 9.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA, the Banks accept no responsibility whatsoever and make no representation or warranty, express or implied, for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the New Ordinary Shares or the Placing and Open Offer, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. The Banks accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

The Banks and/or their affiliates provide various investment banking, commercial banking and financial advisory services from time to time to the Group.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or any of the Banks. Subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, neither the delivery of this document, nor any subscription or acquisition made under it shall, in any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it is correct as of any subsequent date. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or any regulatory authority but assumes no further obligation to publish additional information.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for advice. None of the Company, the Banks, nor any of their respective representatives, is making any representations to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws and regulations applicable to such offeree or purchaser.

Any reproduction or distribution of this document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Ordinary Shares is prohibited. Each offeree of the New Ordinary Shares by accepting delivery of this document agrees to the foregoing. Acquirers of the New Ordinary Shares acknowledge that: (i) they have not relied on the Banks or any of their affiliates in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Capital Raising, including the merits and risks involved.

In connection with the Capital Raising, each of the Banks and any of their respective affiliates, acting as an investor for its own account, may take up New Ordinary Shares in the Placing and Open Offer and in that capacity may retain, purchase or sell for its own account such New Ordinary Shares or related investments otherwise than in connection with the Capital Raising. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to any of the Banks or their respective affiliates acting in such capacity. None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Where To Find Help

Part 2 (“Some Questions and Answers about the Placing and Open Offer”) of this document answers some of the questions most often asked by shareholders. If you have further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except public holidays) and will remain open until 6 July 2009.

Shareholder Helpline

0871 384 2766 (*) (from inside the UK)

Or +44 121 415 7047 (from outside the UK)

(* calls to this number from the UK are charged at eight pence per minute from a BT landline, other telephone provider costs may vary).

Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Placing and Open Offer or to provide financial, tax or investment advice.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

John Lovering	<i>Chairman</i>
Rob Templeman	<i>Chief Executive</i>
Michael Sharp	<i>Deputy Chief Executive</i>
Chris Woodhouse	<i>Finance Director</i>
Adam Crozier	<i>Independent Non-Executive Director</i>
Peter Long	<i>Independent Non-Executive Director</i>
Dennis Millard	<i>Independent Non-Executive Director</i>
Paul Pindar	<i>Senior Independent Non-Executive Director</i>

Secretary

Paul Eardley

Registered Office of the Company

1 Welbeck Street
London W1G 0AA

Financial Adviser and Joint Sponsor

Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

Joint Global Co-ordinator and Joint Bookrunner

Citigroup Global Markets U.K. Equity Limited
Citigroup Centre
Canada Square
London E14 5LB

Joint Sponsor

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB

Joint Global Co-ordinator, Joint Bookrunner and Joint Sponsor

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Joint Lead Managers

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4EY

Lloyds TSB Bank Plc
25 Gresham Street
London EC2V 7HN

RBS Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

English and US legal advisers to the Company

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

English and US legal advisers to the Joint Global Co-ordinators, Joint Bookrunners and Joint Sponsors

Herbert Smith LLP
Exchange House
Primrose Street
London EC2A 2HS

Reporting Accountants to the Company

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Auditors to the Company

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP

Registrar and Receiving Agent

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

PART 1

LETTER FROM THE CHAIRMAN OF DEBENHAMS PLC

DEBENHAMS

Debenhams plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 05448421)

Directors:

John Lovering (*Chairman*)
Rob Templeman (*Chief Executive*)
Michael Sharp (*Deputy Chief Executive*)
Chris Woodhouse (*Finance Director*)
Adam Crozier (*Independent Non-Executive Director*)
Peter Long (*Independent Non-Executive Director*)
Dennis Millard (*Independent Non-Executive Director*)
Paul Pindar (*Senior Independent Non-Executive Director*)

*Registered Office
and Head Office:*

1 Welbeck Street
London
W1G 0AA

5 June 2009

Dear Shareholder

**PROPOSED FIRM PLACING OF 161.6 MILLION NEW ORDINARY SHARES AND
PLACING AND OPEN OFFER OF 242.4 MILLION NEW ORDINARY SHARES AT
80 PENCE PER NEW ORDINARY SHARE**

1 Introduction

Debenhams plc (the “Company”) proposes to raise approximately £306.4 million (net of expenses) through the issue of New Ordinary Shares at an Issue Price of 80 pence per New Ordinary Share (the “Capital Raising”). 161.6 million New Ordinary Shares will be issued through the Firm Placing and 242.4 million New Ordinary Shares will be issued through the Placing and Open Offer.

The Capital Raising is conditional upon, among other things, the approval of Shareholders at the General Meeting and upon the Placing Agreement becoming unconditional in all respects.

The purpose of this letter is to set out the background to, and reasons for, the Capital Raising and to explain why the Directors believe the proposed issue of the New Ordinary Shares is in the best interests of the Company and the Shareholders as a whole and to explain the amendment of the existing debt covenant package. Paragraph 15 of this letter sets out the action to be taken by Qualifying Shareholders.

2 Background to and reasons for the Capital Raising

Debenhams is the second largest department store chain in the UK with 154 stores in the UK and Republic of Ireland. It has a strong and well-recognised brand and significant market share across all key categories, including womenswear, menswear, homeware, health and beauty, accessories, lingerie and childrenswear. In addition, Debenhams has 50 international franchise stores in 17 countries and a growing online business through Debenhams Direct. The Directors believe that Debenhams is clearly differentiated from its competitors through its mix of exclusive own brands, especially its “Designers at Debenhams” offering, with a focus on quality and design, and third-party brands. The Directors believe that Debenhams benefits from a proven business model which has delivered a long-term track record of sales growth and market share gains.

The Directors have been pleased with Debenhams’ performance over the past 18 months. The Group has continued to grow its sales and to take market share even though market conditions have been challenging as the global financial crisis has developed and the UK and Republic of Ireland have moved into recession. The Group reported strong half year results for the 26 week period ended 28 February 2009 in terms of

gross transaction value and profitability. This creditable financial performance was driven by new store openings, which continue to deliver high returns on investment; an increasing gross margin, through greater own bought sales contribution and tighter stock control; disciplined management of resources which has resulted in a successful cost saving programme, lower capital expenditure, more efficient working capital usage and short-term changes to the Company's dividend policy; and an increase in Debenhams' total market share as consumers respond to improvements made to Debenhams' offering in terms of product quality and value. The Directors believe that, while the current trading environment remains challenging, consumer spending should recover over the medium to long term and there are strong drivers for the continued growth of Debenhams, including further developments in its own bought product ranges, planned new store openings and increasing multi-channel sales through Debenhams Direct and its international franchise stores.

Notwithstanding the Directors' confidence about the growth prospects for Debenhams over the medium to long term, they also believe that the business will benefit from the Capital Raising in the following four ways.

(i) ***Reduces absolute level of debt and enhances ability to refinance the facilities that mature in April 2011***

Even though progress is being made in improving profits and cash flow generated by the business, the Directors recognise that the level of indebtedness continues to have an ongoing negative impact on investor sentiment towards Debenhams, which has in turn impacted on the equity value of the Group. Further, the challenging economic environment and tightening of global credit markets have led the Directors to consider Debenhams' options in relation to its current capital structure and any future refinancing of its existing debt facilities. Given the limited visibility on the outlook for the global credit markets, and taking the Group's encouraging recent operational performance into account, the Directors believe that now is an appropriate time to reduce net debt in order to strengthen the Group's capital structure and provide increased financial and operational flexibility. In particular, the net proceeds of the Capital Raising will reduce significantly Debenhams' net indebtedness and the Directors believe that this will substantially improve the Company's ability to refinance its existing debt facilities, which mature in April 2011, and provide access to potentially more attractive terms upon refinancing than would otherwise be available. On 29 May 2009, Debenhams made the scheduled £100.0 million amortisation payment on its term loan, due under the terms of its existing debt facilities.

(ii) ***Provides opportunity to amend existing debt covenant package providing greater operational and financial flexibility***

In light of the economic environment, the Directors have created additional financial covenant headroom within the Company's existing facilities by successfully negotiating amendments to the Company's financial covenants and certain other terms within the existing debt facilities.

The main terms of the debt facilities following these amendments will be:

- the £700.0 million final repayment of the outstanding term loan facility has not changed and its final maturity remains April 2011;
- the maturity of the £250.0 million multicurrency revolving credit facility also remains April 2011;
- the key financial covenants for both facilities have been amended to provide greater headroom until the end of the existing term and now comprise (i) a minimum fixed charge cover ratio (calculated as consolidated EBITDAR divided by the sum of net rent and net interest payable) of 1.60 times and (ii) a maximum leverage ratio (calculated as consolidated total net debt divided by EBITDA) of 3.75 times. All financial covenants are tested every quarter on a last twelve months rolling basis and are calculated in accordance with UK GAAP as adjusted for covenant purposes;
- the initial margin over LIBOR/EURIBOR in respect of each facility has been increased to 3.00% per annum until September 2009 and thereafter will be in a range of 2.50% to 3.25% per annum, depending on the leverage ratio. The Directors expect this margin to fall to

2.75% at the first testing date effective on or before October 2009 and, once the Group's swap portfolio is restructured following closing of the Transaction, the effective net margin is expected to fall; and

- as part of the amendment, Debenhams has agreed to pay upfront fees equivalent to 58 basis points on the debt facilities.

The restructuring of the existing swap portfolio to accommodate the reduction in net debt will result in a fall in the underlying cost of funds to partially offset the rise in margin and provide protection against future interest rate movements. The revised portfolio will have the effect of reducing the margin payable on the drawn debt.

The amendments to the terms and conditions of the debt facilities are conditional on at least £200.0 million being raised in the Capital Raising and on payment of all applicable fees by the Company to the lenders.

(iii) ***Increases Debenhams' flexibility to opportunistically buy back existing debt at below par***

Debenhams' debt has traded below par consistently over the past three years despite the Company's strong operational performance. If the Company is able to take advantage of current credit market conditions to buy back debt opportunistically in the market at below par value, the Directors believe this would be to the benefit of the Company and the shareholders and would result in a reduction in the net indebtedness and interest expense of the Group. In the past month, debt with par value of £2.8 million has been bought back in the market at 83.0% of par.

(iv) ***Improves Debenhams' ability to pursue opportunistic acquisitions of retail assets which may become available if the downturn persists***

In the current economic climate, the Directors believe that distressed retail assets may become available for purchase. These assets could include packages of stock, such as that acquired from the administrators of Principles in March 2009, or entire businesses. The Directors believe that if assets or businesses become available for acquisition in these circumstances they may provide opportunities to create value for Debenhams and to improve Debenhams' credit ratios. Debenhams has a highly experienced management team with a proven track record of value-creating acquisitions both within the retail sector and for Debenhams, the latter including the acquisition of stores from Allders in the UK and Roches Stores in the Republic of Ireland.

3 Use of proceeds

The Directors intend to use the net proceeds of the Capital Raising in accordance with (i) through (iv) above. Until utilised, £250.0 million of the amount received will remain in cash on Debenhams' balance sheet. In addition, Debenhams has agreed to apply £50.0 million of the net proceeds of the Capital Raising to fund a partial pre-payment of the £150.0 million term loan amortisation payment which is due under the terms of the existing debt facilities in May 2010, leaving £100.0 million payable in May 2010.

4 Financial effects of the Capital Raising

The Directors expect the increased number of Ordinary Shares in issue following the Capital Raising to have a negative effect on Debenhams' reported earnings per share for the financial year ended 29 August 2009. This statement does not constitute a profit forecast and should not be interpreted to mean that the earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

The Capital Raising, together with the amendments to the Company's financial covenants, will provide increased flexibility and headroom to fund value-enhancing acquisitions.

In setting the Issue Price, the Directors have considered the price at which the New Ordinary Shares should be offered to investors to ensure a successful Capital Raising and also raise sufficient proceeds. The Directors believe that the Issue Price, including the discount to the current market price of the Ordinary Shares, is appropriate.

5 Dividend policy

The Directors have recently reviewed Debenhams' near term dividend policy. While the Directors did not propose an interim dividend for 2009, there is an intention to return to paying a dividend when they believe it is financially prudent to do so.

6 Pensions

Debenhams and its pension trustees have recently completed a triennial valuation of the Company's two defined benefit pension schemes. The Debenhams Executive Pension Plan was closed to new entrants in September 2002 and the Debenhams Retirement Scheme was closed to new entrants in October 2006. Both schemes have been closed to future accruals since October 2006. The result of the triennial valuation is that the rate of employer contributions payable under the agreed schedule of contributions will remain at the same level as agreed for the last three years until the effective date of the next valuation, 31 March 2011. The trustees have also confirmed that the schemes will have no call on funds raised from the Capital Raising, subject to any intervention by the Pensions Regulator, and to review only if there were to be a material decline in investment values or a significant change to Debenhams' covenant. The Directors have no reason to believe that the trigger points for any of these events are likely to occur.

7 Current trading and prospects

The Company announced its interim results for the 26 week period ended 28 February 2009 on 23 April 2009 and these results are incorporated by reference into Part 9 of this document.

The Company released an interim management statement for the 12 weeks to 23 May 2009 on 4 June 2009. For this 12 week period, gross transaction value was 3.0% higher than the same period last year. Like-for-like sales were 0.8% lower than last year (excluding VAT). Debenhams has continued to gain total fashion market share* as customers find favour with its ongoing strategy of increasing the quality and value of its products (*source: TNS Worldpanel Fashion 26 weeks market share data to 26 April 2009 versus 2008).

The Directors' focus in running the business has continued to be on the levers which drive cash margin. The improvements made over the past 18 months to the design, quality and value of own bought product ranges – particularly "Designers at Debenhams" – have led to continued good performance in these areas, resulting in a 90 basis point gross margin gain for the 12 weeks compared with the same period last year. This, alongside the ongoing disciplined management of costs, stocks and the balance sheet, has contributed to profit before tax and EBITDA for the 12 weeks to 23 May 2009 both being ahead of the prior year. Although the outlook for consumer confidence for the remainder of the 2009 financial year is uncertain, given the performance of the business so far this year the Directors remain confident in the Company's trading strategy and the outturn for the full year.

8 Capitalisation and indebtedness

As at 28 February 2009, the Company's total capitalisation was £162.6 million. As at 25 April 2009, net financial indebtedness was £971.1 million.

9 Principal terms of the Capital Raising

Debenhams is proposing to raise approximately £306.4 million (net of expenses) by way of the Capital Raising. 161.6 million New Ordinary Shares will be issued through the Firm Placing and 242.4 million New Ordinary Shares will be issued through the Placing and Open Offer.

Principal terms of the Placing and Open Offer

The Issue Price of 80 pence per Open Offer Share represents a discount of 12.3 pence (13.3%) to the Closing Price of 92.3 pence per Ordinary Share on 3 June 2009 (being the last dealing day prior to announcement of the intention to do the Capital Raising). The Issue Price of the New Ordinary Shares was determined through a market bookbuilding process undertaken by the Managers on behalf of the

Company. The Directors believe that the level of discount at which New Ordinary Shares were placed and at which New Ordinary Shares are being offered in the Open Offer is appropriate with regard to the net proceeds that will be raised and the level of demand from investors.

Qualifying Shareholders, on and subject to the terms and conditions of the Open Offer, are being given the opportunity to apply for the Open Offer Shares at the Issue Price, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date, on the basis of:

2.745604 Open Offer Shares for every 10 Existing Ordinary Shares

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown in Box 2 on their Application Form, or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements at 8.00 a.m. on 8 June 2009. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their entitlements under the Open Offer, as will Qualifying Shareholders with holdings under different designations or in different accounts.

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer will not exceed 242.4 million New Ordinary Shares.

The Placing and Open Offer is fully underwritten by the Underwriters pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 15.1 of Part 8 (“Additional Information”) of this document.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 8 June 2009. The Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 8 June 2009. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear’s Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded.

Further information on the Open Offer and terms and conditions on which it is made, including the procedure for application and payment, are set out in Part 3 (“Terms and Conditions of the Open Offer”) of this document and, where relevant, on the applicable Application Form.

If Admission does not take place on or before 26 June 2009 (or such later time and/or date as the Company, Citi UK and Merrill Lynch may determine, not being later than 24 July 2009), the Open Offer will lapse, any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant’s risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest as soon as practicable thereafter. In these circumstances, the Placing to the Placees will not proceed.

The Placing and Open Offer is conditional, among other things, upon:

- the passing, without amendment, of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Joint Sponsors, at any adjournment of such meeting not on the same day);
- Admission taking place by no later than 8.00 a.m. on 26 June 2009 (or such later time and date as the Company, Citi UK and Merrill Lynch may agree); and
- the Placing Agreement otherwise having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

Application has been made to the UKLA for the Open Offer Shares to be admitted to the Official List and to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 26 June 2009 and that dealings for normal settlement in the Open Offer Shares will commence at 8.00 a.m. on the same day.

Any Qualifying Shareholder who has sold or transferred all or part of his or her registered holding(s) of Ordinary Shares prior to the close of business on 2 June 2009 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

The Open Offer Shares, when issued and fully paid, will be identical to and rank in full for all dividends or other distributions declared, made or paid after Admission and in all respects will rank *pari passu* with the Existing Ordinary Shares. No temporary documents of title will be issued.

The commitments of the Placees are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer.

Principal terms of the Firm Placing

Debenhams is proposing to issue 161.6 million Ordinary Shares pursuant to the Firm Placing. The Firm Placing has been fully underwritten by Citi UK and Merrill Lynch pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 15.1 of Part 8 ("Additional Information") of this document.

The Firm Placed Shares are not subject to clawback and do not form part of the Open Offer. The Firm Placing is expected to raise approximately £129.3 million, before expenses. The Firm Placing is subject to the same conditions and termination rights that apply to the Placing and Open Offer.

Application will be made to the UK Listing Authority for the Firm Placed Shares to be admitted to the Official List and to the London Stock Exchange for the Firm Placed Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

The Firm Placed Shares, when issued and fully paid, will be identical to, and rank in full with, the Ordinary Shares for all dividends or other distributions declared, made or paid after Admission and will rank *pari passu* in all respects with the Existing Ordinary Shares as at the date of issue.

10 Structure of the Capital Raising

The Capital Raising has been structured in a way that is expected to have the effect of realising distributable reserves approximately equal to the net proceeds of the Capital Raising less the par value of the New Ordinary Shares issued by the Company. The Company and Citi UK have agreed to subscribe for ordinary shares in Kylie (Jersey) Limited, a company majority-owned by the Company. Citi UK will pay monies that it receives from Placees and the Receiving Agent will pay monies that it receives from Qualifying Shareholders in each case taking up New Ordinary Shares under the Capital Raising, to an account with the Receiving Agent, which proceeds, after commissions have been deducted, will be used to subscribe for redeemable preference shares in Kylie (Jersey) Limited.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of Citi UK transferring its holdings of ordinary shares and redeemable preference shares in Kylie (Jersey) Limited to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Capital Raising the Company will own the entire issued share capital of Kylie (Jersey) Limited whose only asset will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Capital Raising. The Company will be able to utilise this amount by redeeming the redeemable preference shares it holds in Kylie (Jersey) Limited and, during any interim period prior to redemption, by procuring that Kylie (Jersey) Limited lends the amount to the Company.

The realisation of distributable reserves will facilitate any potential return of cash to Shareholders. For a description of the Open Offer structure, see Part 3 (“Terms and Conditions of the Open Offer”) of this document.

The Firm Placing and the Placing and Open Offer are interconditional and conditional, among other things, on Shareholder approval, which will be sought at a General Meeting convened for 23 June 2009.

11 Effect of the Capital Raising

In structuring the Capital Raising, the Directors have given consideration to how to structure the proposed equity fundraising, having regard to the current market conditions, the composition of the Company’s shareholder register, the level of the Company’s share price and the importance of pre-emption rights to Shareholders. After considering these factors, the Directors have concluded that the Capital Raising is the most suitable option available to the Company and its Shareholders. The Open Offer provides an opportunity for all Qualifying Shareholders to participate in the fundraising by subscribing for Open Offer Shares *pro rata* to their current holding of Shares.

Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 45.8% of the Company’s existing issued ordinary share capital and approximately 31.4% of the Company’s Enlarged Issued Share Capital. New Ordinary Shares issued through the Placing and Open Offer and New Ordinary Shares issued through the Firm Placing will account for approximately 60% and 40%, respectively, of the total New Ordinary Shares to be issued. The Resolutions set out in the notice attached to the Circular must be passed at the General Meeting in order for the Capital Raising to proceed.

Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, Qualifying Shareholders who take up their full entitlements in respect of the Open Offer will suffer a dilution of up to 12.6% to their interests in the Company. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will suffer a more substantial dilution of approximately 31.4% to their interests in the Company.

Shareholders should note that the Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer but will be issued to the Places for the benefit of the Company.

12 Proposals to be voted on at the General Meeting

For the purposes of effecting the Capital Raising, the Resolutions will be proposed at a General Meeting. You will find enclosed with the Circular a notice convening a General Meeting of the Company, which is to be held at 11.00 a.m. at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS on 23 June 2009. The full text of the Resolutions is set out in that notice.

Subject to and conditional on the passing of the second, third and fourth resolutions, the first resolution proposes that Debenhams’ authorised share capital be increased from £128,846.15 to £167,284.82 by the creation of 384,386,650 additional Ordinary Shares (representing an increase of approximately 29.8%). The purpose of the first Resolution is to enable Debenhams to allot sufficient New Ordinary Shares to satisfy its obligations in connection with the Capital Raising and for Debenhams to retain sufficient authorised but unissued share capital for its purposes generally.

Subject to and conditional upon the passing of the first, third and fourth resolutions, the second resolution seeks a new authority to enable the Directors to allot relevant securities up to a maximum nominal amount of £167,284.82. This represents approximately 189.5% of Debenhams' existing issued ordinary share capital as at the date of this document and will leave headroom of approximately 30% of the Enlarged Issued Share Capital (assuming no further exercise of options granted pursuant to the Debenhams Share Plans). The Directors currently have no specific plans to allot relevant securities other than in connection with the Capital Raising and pursuant to the Debenhams Share Plans.

Subject to and conditional upon the passing of the first, second and fourth resolutions, the third resolution seeks a new authority to disapply statutory pre-emption rights in relation to the allotment of equity securities. If approved, this resolution will authorise the Directors to allot shares for cash in connection with a rights issue, placing and open offer or other pre-emptive offer and otherwise to allot shares up to a maximum nominal amount of £6,434. This represents approximately 5% of Debenhams' Enlarged Issued Share Capital (assuming no further exercise of options granted pursuant to the Debenhams Share Plans).

Further details of Debenhams' authorised and issued share capital, at present and as it will be following the completion of the Capital Raising, are set out in paragraph 3 of Part 8 ("Additional Information") of this document.

Subject to and conditional upon the passing of the first, second and third resolutions, the fourth resolution seeks approval for the issue of the New Ordinary Shares on the terms set out in this document at a price of 80 pence per New Ordinary Share (which represents a discount of 13.3% to 92.3 pence, being the Closing Price on the last dealing day before the announcement of the terms of the Capital Raising). The purpose of this resolution is to approve the Capital Raising generally as required under the Listing Rules because the Issue Price represents a discount of greater than 10% to the middle-market price of the Existing Ordinary Shares.

13 Overseas shareholders

The attention of Overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens of, or residents, or located in countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including without limitation, nominees, custodians and trustees) or have a contractual or legal obligation to forward this document, the Form of Proxy or (when issued) the Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part 3 ("Terms and Conditions of the Open Offer") of this document.

In particular, Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens of or resident or located in countries other than the United Kingdom (including, without limitation, the United States or any of the Restricted Jurisdictions) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their entitlements in the Open Offer.

14 UK and US taxation

Certain information about UK and US taxation in relation to the Placing and Open Offer is set out in paragraphs 17 and 18 of Part 8 ("Additional Information") of this document. **If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.**

15 Action to be taken

You will find enclosed with the Circular a Form of Proxy for use at the General Meeting or at any adjournments thereof. Whether or not you intend to be present in person at the General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received no later than 11.00 a.m. on 21 June 2009 by the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

The latest time for acceptance by Qualifying Shareholders under the Open Offer is 11.00 a.m. on 22 June 2009. The procedure for acceptance and payment is set out in Part 3 (“Terms and Conditions of the Open Offer”) of this document. Further details will also appear in the Application Form that is being sent to all Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders with a registered address in the United States or, subject to certain exceptions, the Restricted Jurisdictions).

Qualifying CREST Shareholders who are CREST-sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Placing and Open Offer.

If you have any doubt what action you should take, you should seek your own financial advice from your stockbroker, solicitor or other independent financial adviser duly authorised under the FSMA who specialises in advice on the acquisition of shares and other securities immediately.

16 Further information and risk factors

Your attention is drawn to the further information set out in this document. In particular, your attention is drawn to the section entitled “Risk Factors”. You are advised to read the whole of this document and the documents incorporated by reference and not to rely solely on the information contained in this letter.

17 Importance of vote

The Resolutions must be passed by Shareholders at the General Meeting in order for the Capital Raising to proceed and, due to the conditionality described above, in order for the amendments to the terms of the Company’s existing debt facilities to take effect. Should the Resolutions not be passed, and therefore the amendment to the terms of the Company’s existing debt facilities not take effect, the Directors believe there is a risk that, were the economic environment or trading performance of Debenhams to deteriorate materially, it is possible that the Company may breach certain covenants in its existing debt facilities in February 2010.

Without the proceeds of the Capital Raising, the Company would still have available to it a range of options to deal with any potential covenant breach, which it would seek to start implementing immediately if the Resolutions were not passed at the General Meeting. Such actions would be likely to include reducing the Company’s cost base further, reducing capital expenditure further and conserving cash through stricter working capital management. If such actions were insufficient to address the risk of a covenant breach, the Company would seek to agree with its current lenders, who have been supportive in the context of the Company’s current request to amend the existing debt facilities, that the relevant covenants be relaxed or that any breach of such covenants be waived. The Directors believe it is likely that the Company would be able to secure such an amendment or waiver but that such an amendment or waiver would be likely to require the payment of additional fees and potentially result in the imposition of more onerous obligations and restrictions on the Company than those which the Company has negotiated to date. However, it is possible that the Company may not be able to secure such an amendment or waiver and, in those circumstances, the Company would consider taking immediate steps, such as disposing of certain of the Company’s assets or seeking alternative sources of financing, for example, equity fundraising.

Accordingly, in order to avoid these actions, it is important that Shareholders vote in favour of the Resolutions in order that the Transaction can proceed.

18 Recommendation

The Board has received financial advice from Lazard in relation to the Transaction. In giving its financial advice, Lazard has relied upon the Directors’ commercial assessment of the Transaction.

The Board considers the Transaction and the Resolutions to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be put to the General Meeting as they intend to do in respect of their own beneficial holdings, amounting to 37,735,581 Ordinary Shares, representing approximately 4.27% of the Existing Ordinary Shares.

19 TPG Shareholder Group and CVC Shareholder Group

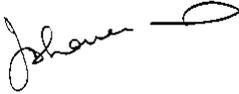
The Company has been informed that the CVC Shareholder Group has sold 51.0 million Existing Ordinary Shares at the Issue Price, which will reduce its holding to 33.5 million Existing Ordinary Shares. CVC has entered into a lock-up agreement with the Managers, in which it agreed not to sell any of the Existing Ordinary Shares it has retained, until Admission. TPG has also entered into a lock-up arrangement on the same terms in respect of its 120.2 million Existing Ordinary Shares.

The TPG Shareholder Group and the CVC Shareholder Group have confirmed their intention to vote in favour of the Capital Raising. Their respective Board representatives have tendered their resignations from the Board with immediate effect.

20 Directors' intentions

The Directors currently beneficially own, in aggregate, 37,735,581 Existing Ordinary Shares, representing approximately 4.27% of the issued share capital of the Company. Subject to the sentence that follows, each of the Directors intends to acquire a number of New Ordinary Shares in the Capital Raising equal to his full entitlement in the Open Offer and such New Ordinary Shares will be issued to each Director or members of his family. Certain directors will only acquire New Ordinary Shares if they can sell sufficient of their Existing Ordinary Shares in the market at a net price per share that covers the cost of subscribing for New Ordinary Shares in the Capital Raising at the Issue Price.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Lovering", with a long horizontal flourish extending to the right.

John Lovering
Chairman

PART 2

SOME QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER

The questions and answers set out in this Part 2 (“Some Questions and Answers about the Placing and Open Offer”) of this document are intended to be in general terms only and, as such, you should read Part 3 (“Terms and Conditions of the Open Offer”) of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 2 (“Some Questions and Answers about the Placing and Open Offer”) deals with general questions relating to the Placing and Open Offer and more specific questions relating principally to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 (“Terms and Conditions of the Open Offer”) of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 (“Terms and Conditions of the Open Offer”) of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0871 384 2766 (from inside the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone providers may vary) or +44 121 415 7047 (from outside the United Kingdom). Please note the Shareholder Helpline will be open from 8.30 a.m. to 5.30 p.m. on any Business Day. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company’s register of members and is unable to give advice on the merits of the Placing and Open Offer or to provide legal, business, financial, tax or investment advice.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1 What is a placing and open offer?

A placing and open offer is a way for companies to raise money. Companies may do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (the open offer) and providing for new investors to acquire any shares not bought by the company’s existing shareholders (the placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the placing and open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of 242.4 million Open Offer Shares at a price of 80 pence per New Ordinary Share. If you hold Existing Ordinary Shares (provided you hold 5 or more shares) on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States or any of the Restricted Jurisdictions, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 2.745604 Open Offer Shares for every 10 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy an Open Offer Share in respect of any fraction of an Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of New Ordinary Shares will be aggregated and placed for the benefit of the Company.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the Closing Price on the last dealing day before the details of the Capital Raising were announced on 4 June 2009. The Issue Price of 80 pence per Open Offer Share represents a 13.3% discount to the Closing Price of 92.3 pence per Ordinary Share on 3 June 2009 (the last dealing day before the intention to do the Capital Raising was announced). Due to this discount, and while the market value of an Ordinary Share exceeds the Issue Price, the right to buy the Open Offer Shares is potentially valuable.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. To the extent that Open Offer Shares are not taken up under the Open Offer (whether by way of Qualifying Shareholders' Open Offer Entitlements or placed with Placees), then, subject to the terms of the Placing Agreement, the Underwriters have agreed to procure purchasers for such Open Offer Shares at the Issue Price pursuant to the Placing.

In addition to the Open Offer and the Placing, the Managers, as agents of the Company, have made arrangements to conditionally place Firm Placed Shares (being 161.6 million New Ordinary Shares) with the Firm Placees at the Issue Price. These Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.

Unlike in a rights issue, Application Forms are not negotiable instruments and neither they nor the Open Offer Entitlements can themselves be traded.

2 I hold my Existing Ordinary Shares in certificated form. How do I know if I am able to acquire Open Offer Shares under the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any of the Restricted Jurisdictions, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 5 June 2009 (the time when the Existing Ordinary Shares are expected to be separated to be marked "ex-entitlement" by the London Stock Exchange). Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on or around 5 June 2009.

3 I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 23 June 2009, if you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any of the Restricted Jurisdictions, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at 5.00 p.m. on 2 June 2009 (the Record Date for the Open Offer);
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

If you have a registered address in the United States or, subject to certain exceptions, one of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or banker's draft for the number of Open Offer Shares you want to apply for and allow at least four Business Days for delivery if sent by first-class post from within the United Kingdom. Please also see questions 4 and 11 for further help in completing the Application Form.

4 I am a Qualifying Shareholder with a registered address in the UK and I hold my Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?

(a) *If you want to take up all of your Open Offer Entitlement*

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 3 of your Application Form), payable to "Equiniti Limited re: Debenhams Open Offer" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.00 a.m. on 22 June 2009, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Application Form. You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part 3 ("Terms and Conditions of the Open Offer") of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 29 June 2009.

(b) *If you want to take up some but not all of your Open Offer Entitlement*

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box 4 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write '25' in Box 4.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '25') by £0.8, which is the price in pounds of each Open Offer Share (giving you an amount of £20 in this example). You should write this amount in Box 5, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to "Equiniti Limited re: Debenhams Open Offer" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.00 a.m. on 22 June 2009, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Application Form. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part 3 ("Terms and Conditions of the Open Offer") of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you on or about 29 June 2009.

(c) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Open Offer Entitlement to anyone else.

If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 22 June 2009, we have made arrangements under which the Managers will try to find investors to take up your entitlements and the entitlements of others who have not taken them up, or take them up themselves.

If you do not take up your Open Offer Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be diluted by approximately 31.4%. If you do take up your Open Offer Entitlement in full, your interest in the Company will be diluted by approximately 12.6% as result of the Firm Placing.

5 I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part 3 (“Terms and Conditions of the Open Offer”) of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to take up or apply for under their Open Offer Entitlement, and should contact their CREST member should they not receive this information.

6 I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form but hold your Ordinary Shares in certificated form, this probably means that you are not able to acquire New Ordinary Shares under the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire New Ordinary Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Ordinary Shares in uncertificated form on 2 June 2009 and who have converted them to certificated form prior to 4.30 p.m. on 16 June 2009;
- Shareholders who bought Ordinary Shares before or on 5 June 2009 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Shares at the close of business on 2 June 2009; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder Helpline on 0871 384 2766 (from inside the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to the Company’s register of members) and will be unable to give advice on the merits of the Open Offer or to provide financial, tax or investment advice.

7 If I buy Existing Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?

If you bought Existing Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer, as the Existing Ordinary Shares are expected to start trading ex-entitlement on the London Stock Exchange at 8.00 a.m. on 5 June 2009.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Existing Ordinary Shares at or after 8.00 a.m. on 5 June 2009, you will not be eligible to participate in the Open Offer in respect of those Existing Ordinary Shares.

8 I am a Qualifying Shareholder, do I have to apply for all the New Ordinary Shares I am entitled to apply for?

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement. Your Open Offer Entitlement is detailed in Box 2 on the Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced. Please refer to answers (b) and (c) of Question 4 for further information.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), and the Open Offer Entitlements will not be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have neither rights under the Open Offer nor receive any proceeds from it. Any Open Offer Shares for which application has not been made in respect of the Open Offer will be acquired by those Placees who participate in the Placing and, to the extent they are not acquired by such Placees, will, subject to the terms of the Placing Agreement, be acquired by the Underwriters, with the net proceeds being retained for the benefit of the Company.

9 What if I change my mind?

Once you have sent your Application Form and payment to the Registrar, you cannot withdraw your application or change the number of Open Offer Shares you have applied for, except in the very limited circumstances which are set out in paragraph 4.4 of Part 3 ("Terms and Conditions of the Open Offer") of this document.

10 What if the number of Open Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Open Offer Shares?

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of New Ordinary Shares will be aggregated and placed for the benefit of the Company.

11 I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 3 of the Application Form?

You cannot spend more than the amount set out in Box 3, as you may only apply for Open Offer Shares up to a maximum of your Open Offer Entitlement.

If you want to spend less than the amount set out in Box 3, you should divide the amount you want to spend by £0.8 (being the price, in pounds, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by £0.8. You should round that down to the nearest whole number (in this example, 125), to give you the number of shares you want to take up. Write that number (in this example, 125) in Box 4. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example 125) by £0.8 and then fill in that amount rounded down to the nearest whole pence (in this example being, rounded down to the nearest whole pence, £100) in Box 5 and on your cheque or banker's draft accordingly.

12 What if I hold options and awards under one of the Company's share schemes?

If the Directors consider it appropriate in the circumstances, options and awards under the Debenhams Share Plans may be adjusted to take account of the New Ordinary Shares issued pursuant to the Open Offer. If this is the case, participants will be contacted separately. Such adjustments will be made subject to the rules of the Debenhams Share Plans. Shareholder approval is not required for any adjustments.

13 I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you held shares in the Company directly and you have sold some or all of your Existing Ordinary Shares before or on 2 June 2009, you should contact the buyer or the person/company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 5 June 2009, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

14 I hold my Existing Ordinary Shares in certificated form. How do I pay?

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling on a UK bank or building society account in the reply-paid envelope enclosed (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. It is recommended that cheques should be drawn on a personal account of the Qualifying Shareholder who is applying for the Open Offer Shares or you may be required to supply additional documentation to satisfy money laundering requirements. The funds should be made payable to "Equiniti Limited re: Debenhams Open Offer". In each case, the cheque should be crossed "A/C Payee only". Payments via CHAPS, BACS or electronic transfer will not be accepted.

15 Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

Your proportionate ownership and voting interest in the Company will be reduced as a result of the Firm Placing. If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced further.

16 I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form and monies by post in the enclosed reply-paid envelope (from within the United Kingdom) by post or by hand (during normal business hours only) to: Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. You should allow at least four Business Days for delivery if using first-class post within the United Kingdom.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

17 I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?

The Registrar must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 22 June 2009. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form within the United Kingdom.

18 I hold my Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?

It is expected that the Registrar will post all new share certificates on or about 29 June 2009.

19 What should I do if I think my holding of Existing Ordinary Shares (as shown in Box 1 on page 1 of the Application Form) is incorrect?

If you have bought or sold Ordinary Shares shortly before the Record Date, your transaction may not be entered on the register of members before the Record Date for the Open Offer. If you have bought Ordinary Shares before 5 June 2009 but were not registered as the holder of those shares on the Record Date for the Open Offer (2 June 2009), you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to Open Offer Entitlements in respect of any Ordinary Shares acquired on or after 2 June 2009.

Otherwise, if you are concerned about the figure in Box 1, please call the Shareholder Helpline on 0871 384 2766 (from inside the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (from outside the UK).

20 Will I be taxed if I take up my entitlements?

Information on taxation in the United Kingdom and the United States with regard to the Open Offer is set out in paragraphs 17 and 18, respectively, of Part 8 (“Additional Information”) of this document. **This information is intended to be only a general guide to the current tax position in the United Kingdom and Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.**

21 What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any of the Restricted Jurisdictions are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 (“Terms and Conditions of the Open Offer”) of this document.

The Company has made arrangements under which the Managers will try to find investors to take up your entitlements and those of other Shareholders who have not taken up their entitlements. You will not receive any money when these Open Offer Shares are sold.

22 Will the Capital Raising affect the future dividends the Company pays?

Following completion of the Capital Raising, future dividend payments per New Ordinary Share will be adjusted for the Capital Raising. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 3 June 2009, being the day prior to the announcement of the intention to do the Capital Raising.

23 How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you would complete the CREST deposit form (Box 9 on page 6 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 17 June 2009 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 4 of Part 3 (“Terms and Conditions of the Open Offer”) of this document for details on how to pay for the Open Offer Shares.

24 Do I need to comply with the Money Laundering Regulations (as set out in paragraph 5 of Part 3 (“Terms and Conditions of the Open Offer”) of this document)?

If you are a Qualifying Non-CREST Shareholder, you do not need to follow these procedures if the value of the Open Offer Shares you are subscribing for is less than €15,000 (approximately £13,158/US\$24,256) or if you pay for them by a cheque drawn on an account in your own name and

that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying Non-CREST Shareholders should refer to paragraph 5.1 of Part 3 (“Terms and Conditions of the Open Offer”) of this document and Qualifying CREST Shareholders should refer to paragraph 5.2 of Part 3 (“Terms and Conditions of the Open Offer”) of this document for a fuller description of the requirements of the Money Laundering Regulations.

25 Further assistance

Should you require further assistance please call the Shareholder Helpline on 0871 384 2766 (from inside the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (from outside the United Kingdom), which is available between the hours of 8.30 a.m. and 5.30 p.m. on any Business Day. *Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document, the circular or the Company’s register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.*

PART 3

TERMS AND CONDITIONS OF THE OPEN OFFER

1 Introduction

As explained in Part 1 (“Letter from the Chairman of Debenhams plc”) of this document, the Company is proposing to issue 404.0 million New Ordinary Shares to raise approximately £323.2 million (before costs and expenses, estimated to be £16.8 million), subject, among other things, to Shareholders’ approval, by the issue of the Firm Placed Shares and the Open Offer Shares pursuant to the Capital Raising. Upon completion of the Firm Placing and the Placing and Open Offer, the New Ordinary Shares will represent approximately 45.8% of the existing issued ordinary share capital of the Company and approximately 31.4% of the Enlarged Issued Share Capital of the Company immediately following completion of the Capital Raising.

1.1 *The Firm Placing*

The Managers, as agents for the Company, have made arrangements to place conditionally the Firm Placed Shares (being 161.6 million New Ordinary Shares, 40% of the Capital Raising) firm with the Firm Placees at the Issue Price. The Firm Placing is expected to raise approximately £129.3 million (before costs and expenses). The Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.

1.2 *The Placing and Open Offer*

The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 242.4 million New Ordinary Shares, 60% of the Capital Raising) *pro rata* to their current holdings, at the Issue Price in accordance with the terms of the Open Offer. The Open Offer is expected to raise approximately £193.9 million (before costs and expenses). Pursuant to the Placing Agreement, the Managers, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with institutional investors at the Issue Price, subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is expected to be 5.00 p.m. on 2 June 2009. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on or around 5 June 2009 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 8 June 2009. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. (London time) on 22 June 2009 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. (London time) on 26 June 2009.

The Firm Placing and the Placing and Open Offer are inter-conditional and conditional, among other things, on Shareholder approval, which will be sought at a General Meeting convened for 23 June 2009.

Participation in the Firm Placing does not prevent Firm Placees from acquiring Open Offer Shares, providing that, in the case of the Open Offer, such Firm Placee is a Qualifying Shareholder. Open Offer Entitlements attach only to Shares held by Qualifying Shareholders, as at the Record Date (being 2 June 2009) and not to the New Ordinary Shares.

The Placing and Open Offer is fully underwritten by the Underwriters pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 15.1 of Part 8 (“Additional Information”) of this document.

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue. The Company may fix a date as the record date by reference to which a dividend will be declared or paid.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority, and will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 June 2009.

This document and, for Qualifying Non-CREST Shareholders, the Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part 3 ("Terms and Conditions of the Open Offer") which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3 ("Terms and Conditions of the Open Offer").

2 The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to take up Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* Open Offer Entitlement which shall be calculated on the basis of:

2.745604 Open Offer Shares for every 10 Existing Ordinary Shares

registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then registered.

Entitlements to Open Offer Shares will be rounded down to the nearest whole number and fractional entitlements will not be offered to persons pursuant to the Open Offer but will be aggregated and sold for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 5 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 1) and also shows the maximum number of Open Offer Shares for which you are entitled to apply pursuant to your Open Offer Entitlement (in Box 2).

Qualifying CREST Shareholders will have Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part 3 ("Terms and Conditions of the Open Offer") and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for any number of Open Offer Shares up to the maximum to which they are entitled under the Open Offer. No application in excess of a person's Open Offer Entitlement will be met and any person so applying, and whose application is otherwise valid in all respects, will be deemed to have applied for the maximum entitlement as specified in Box 2 of the Application Form (or, in the case of Qualifying CREST Shareholders, for the Open Offer Entitlement standing to the credit of their stock account in CREST), or as otherwise notified to him or her, as applicable (and any monies received in excess of the amount due will be returned to any Qualifying Non-CREST Shareholder without interest as soon as practicable by way of cheque at such applicant's sole risk).

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. A Qualifying Shareholder that takes up its Open Offer Entitlement in full will be diluted by 12.6% as result of the Firm Placing. A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer will suffer a more substantial dilution of 31.4% as result of the Open Offer and the Firm Placing. Qualifying CREST Shareholders should note that, although their Open Offer Entitlement will be credited to their CREST accounts, the Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares which are not taken up under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have neither rights under the Open Offer nor receive any proceeds from it. Any Open Offer Shares which are not taken up under the Open Offer will be issued to Placees (to the extent procured) or, failing which to the Underwriters subject to the terms of the Placing Agreement between the Company and the Underwriters, with the net proceeds retained for the benefit of the Company.

Application will be made for the Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements are expected to be credited to CREST accounts by 8 June 2009.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application is required for the Open Offer Shares to be admitted to CREST. All Open Offer Shares, when issued and fully paid, may be held and transferred by means of CREST.

The Open Offer Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares will not be made available in whole or in part to the public except under the terms of the Open Offer.

Qualifying Shareholders who apply for Open Offer Shares under the Open Offer will, subject to the Company's ability to pay a dividend, and provided the Directors consider it appropriate to declare a dividend, receive dividends on the Open Offer Shares in the same manner as they receive dividends on their Existing Ordinary Shares.

If the Directors consider it appropriate in the circumstances, options and awards under the Debenhams Share Plans may be adjusted to take account of the Open Offer. If this is the case, participants will be contacted separately.

3 Conditions and further terms of the Open Offer

The Open Offer is conditional on the Placing Agreement becoming unconditional in all respects. The Placing Agreement is conditional, amongst other things, on:

- (a) the Prospectus being approved by the UKLA and filed with the FSA in accordance with the Prospectus Rules and FSMA and made available as required by the Prospectus Rules and the Circular being approved by the FSA;
- (b) the passing of the Resolutions (without amendment) at the General Meeting (and not, except with the prior written agreement of the Joint Global Co-ordinators, at any adjournment of such meeting not on the same day);
- (c) Admission occurring not later than 8.00 a.m. on 26 June 2009 or such later time and/or date as the Company and the Joint Global Co-ordinators may agree (being not later than 8.00 a.m. on 24 July 2009); and
- (d) the Company having performed all of its obligations under the Placing Agreement which are to be performed on the date of the Placing Agreement or otherwise prior to Admission.

Certain of the conditions to the Placing Agreement may be waived by the Managers at their sole discretion.

Accordingly, if these and the other conditions to the Open Offer are not satisfied or waived (where capable of waiver), the Capital Raising will be revoked and will not proceed and any applications made by Qualifying Shareholders will be rejected. In these circumstances, application monies received by the Registrar in respect of Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, as soon as reasonably practicable thereafter. Please see paragraph 15.1 of Part 8 ("Additional Information") of this document for a summary of the material terms of the Placing Agreement. Revocation cannot occur after dealings in the New Ordinary Shares have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 29 June 2009. In respect of those Qualifying Shareholders who validly elect to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 8 June 2009.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority, and will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 June 2009.

All monies received by the Registrar in respect of Open Offer Shares will be placed on deposit in an interest bearing account by the Registrar.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement via a Regulatory Information Service giving details of the revised dates.

4 Procedure for application and payment

The action to be taken by a Qualifying Shareholder in respect of the Open Offer depends on whether, at the relevant time, such Qualifying Shareholder has received an Application Form in respect of his or her entitlement under the Open Offer or has had Open Offer Entitlements credited to his or her CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form on the Record Date will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(f) of this Part 3 ("Terms and Conditions of the Open Offer").

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

4.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part 3 ("Terms and Conditions of the Open Offer") in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 1. It also shows the maximum number of Open Offer Shares for which they are entitled to apply under the Open Offer, taking into account that they will not be entitled to take up an Open Offer

Share in respect of any fraction of an Open Offer Share arising when their entitlement was calculated, such entitlement being rounded down to the nearest whole number, as shown by the total number of Shares allocated to them set out in Box 2. Box 3 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full (fractions of pence being ignored for the purposes of recording such amount). Qualifying Non-CREST Shareholders may apply for less or more than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to 8.00 a.m. on 5 June 2009, being the date upon which the Existing Ordinary Shares will be marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except prior to 3.00 p.m. on 18 June 2009 to satisfy *bona fide* market claims. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his or her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares are marked “ex” the entitlement to participate in the Open Offer, which is expected to be 8.00 a.m. on 5 June 2009, should consult his or her broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold or otherwise transferred all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 6 of the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into the United States or any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should refer to the procedures set out in paragraphs 4.2(b) and 4.2(f) (as applicable) below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown in Box 1 of the Application Form prior to 2 June 2009 should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 1) and the Open Offer Entitlement to be included in each Application Form (the aggregate of which must equal the number shown in Box 2) and details of the stockbroker, bank or other agent through whom any sale or transfer was effected (or details of the purchaser or transferee, if known) to the Registrar, by post or by hand (during normal business hours only) to Equiniti Limited Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The Registrar will then create new Application Forms, mark the Application Forms “Declaration of sale or transfer duly made” and send them by post to the Qualifying Non-CREST Shareholders submitting the original Application Form.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares in respect of all or part of their Open Offer Entitlement should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be returned to the Registrar, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received by the Registrar by no later than 11.00 a.m. on 22 June 2009, after which time, subject to the limited exceptions below, Application Forms will not be valid. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided. Within the United Kingdom, Qualifying Non-CREST Shareholders can use the reply-paid envelope accompanying the Application Form. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK or using the reply-paid envelope included with the Application Form in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

Completed Application Forms should be returned with a cheque or banker's draft drawn in pounds sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques are recommended to be drawn on a personal account in respect of which the Qualifying Non-CREST Shareholder has sole or joint title to the funds and should be made payable to "Equiniti Limited re: Debenhams Open Offer" and crossed "A/C Payee only". Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Non-CREST Shareholder has title to the underlying funds) will be subject to the Money Laundering Regulations which would delay or prevent Qualifying Non-CREST Shareholders receiving their Open Offer Shares (please see paragraph 5 below). All documents and cheques sent through the post by the Qualifying Non-CREST Shareholder will be sent at their own risk and any cheques not received by the Registrar will need to be re-issued and re-sent by the Qualifying Non-CREST Shareholder. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. Should such cheques or banker's drafts not be so honoured, the Company may undertake any action to recover the value of the application and any costs associated with such recovery (including the forfeiture and sale of any Open Offer Shares allotted pursuant to such an application). If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account, with interest, if any, being retained for the Group until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as reasonably practicable following the lapse of the Open Offer.

Subject to the provisions of the Placing Agreement, the Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 22 June 2009; or

- (ii) applications in respect of which remittances are received before 11.00 a.m. on 22 June 2009 from authorised persons (as defined in the FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of Qualifying Non-CREST Shareholder, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares. None of the Registrar or any of the Banks or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(d) *Effect of application*

By completing and delivering an Application Form, the applicant:

- (i) represents and warrants to the Company, each of the Banks and the Registrar that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights and perform his or her obligations under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and each of the Banks that all applications under the Open Offer and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company and each of the Banks that in making the application he or she is not relying on any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he or she will be deemed to have had notice of all information in relation to the Group contained in this document (including information incorporated by reference);
- (iv) confirms to the Company and each of the Banks that in making the application he or she is not relying and has not relied on the Banks or any person affiliated with any of the Banks in connection with any investigation of the accuracy of any information contained in this document or his or her investment decision;
- (v) confirms to the Company and each of the Banks that no person other than the Company has been authorised to give any information or to make any representation concerning the Company, or its subsidiaries, or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Banks;
- (vi) represents and warrants to the Company, each of the Banks and the Registrar that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that he or she received such Open Offer Entitlement by virtue of a *bona fide* market claim;

- (vii) represents and warrants to the Company, each of the Banks and the Registrar that if he or she has received some or all of his or her Open Offer Entitlements from a person other than the Company he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he or she will become entitled be issued to him on the terms set out in this document and the Application Form subject to the Memorandum and Articles of the Company;
- (ix) represents and warrants to the Company, each of the Banks and the Registrar that he or she is not, nor is he or she applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law and he or she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law (except where proof satisfactory to the Company has been provided that he or she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (x) except where proof in the form described in paragraph 6.2 has been provided to the Company's satisfaction that such person is, or is acting on behalf of, a QIB, and that such person's use of the Application Form will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, represents and warrants to the Company, each of the Banks and the Registrar that he or she is not in the United States, nor is he or she applying for the account of any person who is located in the United States, unless (a) the instruction to apply was received from a person outside the United States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that it is applying for the Open Offer Shares in an "offshore transaction" within the meaning of Regulation S; and (iv) is not applying for the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any Open Offer Shares into the United States; and
- (xi) represents and warrants to the Company, each of the Banks and the Registrar that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 (a "Specified Person") and that if any stamp duty, stamp duty reserve tax, or any other transfer, issuance tax or related interest and penalties ("Stamp Tax") arises in connection with his or her acquisition of the Open Offer Shares or any subsequent transfer by him, or his or her agent, of such shares to a Specified Person or a nominee or agent for such person, he or she agrees that he or she will pay and bear, or procure the payment of, the cost of such Stamp Tax.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Registrar, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (telephone 0871 384 2766 from within the UK, for which calls are charged at eight pence per minute from a BT landline,

and other telephone provider costs may vary) (telephone +44 121 415 7047 if calling from overseas). Please note that the Registrar cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements.

For information on how to deposit an Open Offer Entitlement in whole or in part into CREST, please see paragraph 4.2(f) below.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

4.2 ***If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of this Part 3 (“Terms and Conditions of the Open Offer”) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his or her stock account in CREST of his or her Open Offer Entitlement equal to the number of Open Offer Shares for which he or she is entitled to take up under the Open Offer. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any fractional Open Offer Entitlement will therefore also be rounded down. Any fractional Open Offer Entitlements will be aggregated and the resulting Open Offer Shares will be sold for the benefit of the Company.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlement and Excess CREST Open Offer Entitlement have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 8 June 2009, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement which should have been credited to his or her stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders who have received Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their *pro rata* entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Registrar on telephone number 0871 384 2766 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (if calling from overseas) between the hours of 8.30 a.m. and 5.30 p.m. on any Business Day. Please note that the Registrar cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up and apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Bona fide market claims*

Each of the Open Offer Entitlements will have a separate ISIN and constitute a separate line for CREST purposes. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement will thereafter be transferred accordingly.

(c) *USE instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlement in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Equiniti Limited under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Equiniti Limited in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00B51Z3098;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Equiniti Limited in its capacity as a CREST receiving agent. This is 2RA67;
- (vi) the member account ID of Equiniti Limited in its capacity as a CREST receiving agent. This is RA980701;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 22 June 2009; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 22 June 2009.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the “free format shared note” field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 22 June 2009 in order to be valid is 11.00 a.m. on that day.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's Open Offer Entitlement as set out in his or her Application Form may be deposited into CREST (either into the account of the Qualifying Non-CREST Shareholder named in the Application Form or into the account of a person entitled by virtue of a *bona fide* market claim). Similarly, an Open Offer Entitlement held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, save (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box 9 of their Application Form, entitled "CREST Deposit Form" and then deposit their Application Form with the CREST Courier and Sorting Service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST Courier and Sorting Service and (b) only the Open Offer Entitlement shown in Box 2 of the Application Form may be deposited into CREST.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration in Box 7 must be completed or (in the case of an Application Form which has been split) marked "Declaration of sale or transfer duly made". If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 9 of your Application Form must be completed and deposited with the CREST Courier and Sorting Service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 9 of each Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlement following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 22 June 2009.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer Entitlement in CREST, is 3.00 p.m. on 17 June 2009 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of an Open Offer Entitlement from CREST is 4.30 p.m. on 16 June 2009, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlement, following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all necessary steps in connection with applying in respect of the Open Offer Entitlement prior to 11.00 a.m. on 22 June 2009. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw their Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph entitled "Instructions for depositing entitlements under the Open Offer into CREST" of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of the United States or any of the Restricted Jurisdictions or any jurisdiction in which the application for Open Offer Shares is prevented

by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(f) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 22 June 2009 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 22 June 2009. In this respect, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Registrar, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(i) *Effect of valid application*

A CREST member who makes, or is treated as making, a valid application in accordance with the above procedures as regards an Open Offer Entitlement, thereby:

- (i) represents and warrants to the Company, each of the Banks and the Registrar that he or she has the right, power and authority, and has taken all actions necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his or her obligations, under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and each of the Banks to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and each of the Banks that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;

- (iv) confirms to the Company and each of the Banks that in making the application he or she is not relying on any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document, or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he or she will be deemed to have had notice of all the information in relation to the Group contained in this document (including information incorporated by reference);
- (v) confirms to the Company and each of the Banks that in making the application he or she is not relying and has not relied on the Banks or any person affiliated with any of the Banks in connection with any investigation of the accuracy of any information contained in this document or its investment decision;
- (vi) confirms to the Company and each of the Banks that no person other than the Company has been authorised to give any information or to make any representation concerning the Company, or its subsidiaries, or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Banks;
- (vii) represents and warrants to the Company, each of the Banks and the Registrar that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that he or she has received such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (viii) represents and warrants to the Company, each of the Banks and the Registrar that if he or she has received some or all of his or her Open Offer Entitlement from a person other than the Company, he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (ix) requests that the Open Offer Shares to which he or she will become entitled be issued to him on the terms set out in this document, subject to the Memorandum and Articles of the Company;
- (x) represents and warrants to the Company, each of the Banks and the Registrar that he or she is not, nor is he or she applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law, and he or she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he or she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (xi) except where proof in the form described in paragraph 6.2 has been provided to the Company's satisfaction that such person is, or is acting on behalf of, a QIB, and that such person's acceptance of the invitation will not result in the contravention of any legal or regulatory requirement in any jurisdiction, represents and warrants to the Company, each of the Banks and the Registrar that (i) he or she is not in the United States, nor is he or she applying for the account of a person who is located in the

United States, unless (a) the instruction to apply was received from a person outside the United States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that it is applying for the Open Offer Shares in an “offshore transaction” within the meaning of Regulation S; and (iv) is not applying for the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any Open Offer Shares into the United States; and

(xii) represents and warrants to the Company, each of the Banks and the Registrar that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 and 96 (depository receipts and clearance services) of the Finance Act 1986 (a “Specified Person”) and that if any stamp duty, stamp duty reserve tax, or any other transfer, issuance tax or related interest and penalties (“Stamp Tax”) arises in connection with his or her acquisition of the Open Offer Shares or any subsequent transfer by him, or his or her agent, of such shares to a Specified Person or a nominee or agent for such person, he or she agrees that he or she will pay and bear, or procure the payment of, the cost of such Stamp Tax.

(j) *Company’s discretion as to the rejection and validity of applications*

Subject to the provisions of the Placing Agreement, the Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3 (“Terms and Conditions of the Open Offer”);
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

(k) *Lapse of the Open Offer*

In the event that the Capital Raising does not become unconditional by 8.00 a.m. on 26 June 2009 or such later time and date as the Company and the Managers may agree, the Capital Raising will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST

Shareholder by way of a CREST payment, without interest, as soon as reasonably practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Group.

4.3 *Structure of the Capital Raising*

The Capital Raising has been structured in a way that is expected to have the effect of realising distributable reserves approximately equal to the net proceeds of the Capital Raising less the par value of the New Ordinary Shares issued by the Company. The Company and Citi UK have agreed to subscribe for ordinary shares in Kylie (Jersey) Limited. Citi UK will pay monies that they receive from Qualifying Shareholders or Placees taking up New Ordinary Shares under the Capital Raising, after deducting commissions, to an account with the Receiving Agent, which proceeds will be used to subscribe for redeemable preference shares in Kylie (Jersey) Limited.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of Citi UK transferring its holdings of ordinary shares and redeemable preference shares in Kylie (Jersey) Limited to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Capital Raising the Company will own the entire issued share capital of Kylie (Jersey) Limited whose only asset will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Capital Raising. The Company will be able to utilise this amount by redeeming the redeemable preference shares it holds in Kylie (Jersey) Limited and, during any interim period prior to redemption, by procuring that Kylie (Jersey) Limited lends the amount to the Company.

The realisation of distributable reserves will facilitate any potential return of cash to Shareholders. For a description of the Open Offer structure, see generally this Part 3 (“Terms and Conditions of the Open Offer”).

4.4 *Withdrawal rights*

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of the FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days of the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be delivered by post or by hand (during normal business hours only) to the Registrar, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (please call Equiniti Limited on 0871 384 2766 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or on +44 121 415 7047 (if calling from overseas) between the hours of 8.30 a.m. and 5.30 p.m. for further details) so as to be received before the end of the withdrawal period. The notice of withdrawal will be deemed to be received upon posting to or deposit with the Registrar. Notice of withdrawal given by any other means or which is deposited with the Registrar after such expiry of such period will not constitute a valid withdrawal. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares to which they are entitled in full, and the allotment of such Open Offer Shares to such person becoming unconditional, save to the extent required by statute. In such event, such persons are advised to seek independent legal advice.

5 *Money laundering regulations*

5.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Registrar may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent, and which is itself subject to the Money Laundering

Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment, and in accordance with the other terms as described above (the "acceptor"), including any person who appears to the Registrar to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the "relevant Open Offer Shares") and shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.

If the Registrar determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Registrar nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity and, in any case by 6 July 2009, the Registrar has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
- (b) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (c) if the applicant (not being an applicant who delivers his or her application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (d) if the aggregate price for the Open Offer Shares is less than €15,000 (approximately £13,158 / US\$24,256).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to "Equiniti Limited re: Debenhams Open Offer" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the

cheque/banker's draft to such effect. However, third party cheques will be subject to the Money Laundering Regulations which would delay shareholders receiving their Open Offer Shares. The account name should be the same as that shown on the Application Form; or

- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide, with the Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out on page 28 of this document.

To confirm the acceptability of any written assurance referred to in (ii) above, or in any other case, the acceptor should contact the Registrar. The telephone number of the Registrar is 0871 384 2766 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute from a BT landline, and other telephone provider costs may vary), or +44 121 415 7047 (if calling from overseas), between the hours of 8.30 a.m. and 5.30 p.m. on any Business Day.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate price of €15,000 (approximately £13,158 / US\$24,256) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 6 July 2009, the Registrar has not received evidence satisfactory to it as aforesaid, the Registrar may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 ***Open Offer Entitlements in CREST***

If you hold your Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf, you are making the application. You must therefore contact the Registrar before submitting any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which, on its settlement, constitutes a valid application as described above, constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6 Overseas Shareholders

The making of the Open Offer to persons located or resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdiction. Any person who is in any doubt as to his or her position should consult an appropriate professional adviser without delay.

6.1 *General*

The distribution of this document and the making of the Open Offer to persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens or residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, any of the Banks, or any other person, to permit a public offering or, subject to certain exceptions, distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements will not be credited to, stock accounts in CREST of persons with registered addresses in the United States or any of the Restricted Jurisdictions or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any such jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an Invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for New Ordinary Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements in or into any jurisdiction

where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 (“Terms and Conditions of the Open Offer”) and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.6 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares must satisfy himself or herself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The Company reserves the right, but shall not be obliged, to treat as invalid, and will not be bound to allot or issue any Open Offer Shares in respect of, any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or despatched from the United States or any of the Restricted Jurisdictions or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of an Open Offer Entitlement to a stock account in CREST, to a CREST member whose registered address would be, in the United States or any Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 4.1(d)(ix) and (x); 4.2(i)(x) and (xi); and 6.2 to 6.4 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares if the Company and the Banks are satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in pounds sterling denominated cheques or banker’s drafts or, where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, the Shareholders who have registered addresses in the United States, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of the United States or any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into the United States or any Restricted Jurisdiction or for the account of any person with a registered address in, or located in, the United States, or any person who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those

jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 *United States*

The New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of this document, the Application Forms nor the crediting of Open Offer Entitlements to a stock account in CREST constitutes nor will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire, any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no Open Offer Entitlements will be credited to, a stock account in CREST with a bank or financial institution of any person with a registered address in the United States. Subject to certain exceptions, Application Forms sent from, or post-marked in, the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares outside the United States.

Subject to certain exceptions, any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form or by applying for Open Offer Shares in respect of Open Offer Entitlements credited to a stock account in CREST, and delivery of the Open Offer Shares, to the effect set out in paragraphs 4.1(d)(x) and 4.2(j)(xi), as applicable.

The Company reserves the right to reject any Application Form or USE Instruction if it has reason to believe such representations and warranties cannot be given.

The Company also reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance of the Open Offer Shares, or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

In addition, except as set out below, any person applying for New Offer Shares must make the representations and warranties set out in paragraphs 4.1(d)(ix) and (x) and 4.2(i)(x) and (xi) above, as appropriate. Accordingly, except as set out below, the Company reserves the right to treat as invalid (i) any Application Form that does not make the representations and warranties set out in paragraphs 4.1(d)(ix) and (x) above and (ii) any USE instruction that does not make representations and warranties set out in paragraphs 4.2(j)(x) and (xi) above. The attention of persons holding for the account of persons located in the United States or located or resident in any of the Restricted Territories is directed to such paragraphs.

Notwithstanding the foregoing, the Open Offer Shares may be offered to, and applications for Open Offer Shares may be accepted from persons in, or by persons acting for accounts located in, the United States and that cannot make the representations and warranties referred to above provided such persons are, or are acting for the account of persons, reasonably believed to be QIBs, in transactions exempt from, or not subject to, the registration requirements of the Securities Act, provided such persons satisfy the Company that they are eligible to participate on such basis. To establish eligibility, the QIB must deliver a signed investor letter (in the form provided by the Company) to the Company, the Registrar and, if relevant, any nominee, custodian or other person holding on behalf of such QIB. Such form can be obtained from the Company Secretary at 1 Welbeck Street, London W1G 0AA.

Such investor letter will include, among other things, the following representations, warranties and agreements:

- representing that the signatory is a QIB, and any account for which the signatory is acquiring the Open Offer Shares is a QIB;
- representing that the signatory is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States;
- agreeing not to re-offer, resell, pledge or otherwise transfer the Open Offer Shares, except:
 - in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S;
 - to a QIB in a transaction in accordance with Rule 144A; or
 - pursuant to an exemption from registration provided by Rule 144 under the US Securities Act (if applicable);and in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States; and
- agreeing not to deposit any Open Offer Shares into any unrestricted depository facility established or maintained by any depository bank, unless they have been registered pursuant to an effective registration statement under the US Securities Act.

No representation has been, or will be, made by the Company or the Banks as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the re-offer, sale, pledge or transfer of the Open Offer Shares by any investor.

In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Capital Raising) may violate the registration requirements of the Securities Act.

6.3 *Switzerland*

This document does not constitute an prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to Article 32 of the Listing Rules of the SWX Swiss Exchange. The Shares will not be listed on the SWX Swiss Exchange and, therefore, the document does not comply with the disclosure standards of the Listings Rules of the SWX Swiss Exchange. Accordingly, the Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe the Shares with a view to distribution to the public. This document is personal to each offeree and does not constitute an offer to any other person. The document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

6.4 *Restricted Jurisdictions*

Due to restrictions under the securities laws of the Restricted Jurisdictions, and subject to certain exceptions, persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Open Offer Entitlements.

The Open Offer Shares have not been, and will not be, registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is located, resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

Subject to certain exceptions, no offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

6.5 *Jurisdictions other than Restricted Jurisdictions*

Application Forms will be sent to Qualifying Non-CREST Shareholders and an Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or any Restricted Jurisdiction may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

6.6 *Waiver*

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific persons or on a general basis by the Company, in its absolute discretion (but subject to the provisions of the Placing Agreement). Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to the Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7 Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 23 June 2009. Application will be made to the UK Listing Authority for the Open Offer Shares to be admitted to the Official List of the UK Listing Authority, and will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 26 June 2009.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 22 June 2009 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above is/are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the relevant USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with an Open Offer Entitlement, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly taken up are expected to be despatched by post by 29 June 2009. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk.

For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part 3 (“Terms and Conditions of the Open Offer”) and their respective Application Form.

8 Taxation

Certain statements regarding United Kingdom and United States taxation in respect of the New Ordinary Shares and the Open Offer are set out in paragraphs 17 and 18 of Part 8 (“Additional Information”) of this document. Persons who are in any doubt as to their tax position in relation to taking up their Open Offer Entitlement or who are subject to tax in any jurisdiction other than the United Kingdom or the United States should immediately consult a suitable professional adviser.

9 Times and dates

The Company shall, in agreement with the Banks and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer, and all related dates set out in this document, and in such circumstances shall notify the UK Listing Authority, and make an announcement on a Regulatory Information Service approved by the UK Listing Authority and, if appropriate, by the Shareholders **but Qualifying Shareholders may not receive any further written communication.**

If a supplementary prospectus is issued by the Company two or fewer days prior to the latest time and date for acceptance and payment under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10 Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Open Offer, this document or the Application Form (including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form). By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales (including, without limitation, in relation to disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form) and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

11 Further information

Your attention is drawn to the further information set out in this document and incorporated by reference into this document and also, in the case of Qualifying Non-CREST Shareholders and any other Qualifying Shareholders to whom an Application Form has been sent to the terms, conditions and other information printed on the Application Form.

PART 4

BUSINESS DESCRIPTION

1 Overview

Debenhams is a leading multi-category retailer in the United Kingdom and Republic of Ireland with a strong offering in its key product categories of womenswear, menswear, homewares, health and beauty, accessories and childrenswear. Debenhams offers a unique and differentiated customer proposition through its mix of exclusive own brands (including “Designers at Debenhams”) and third party brands. Debenhams is the second largest department store chain in the United Kingdom and has been a long-term market share winner, increasing its department store market share from 12.0% in 1996 to 17.8% in 2008 (source: Verdict UK Department Stores 2009).

Debenhams traces its history back to 1778 and the Debenhams name was first used in 1813. The Debenhams brand name is widely recognised in the UK and Republic of Ireland.

Debenhams’ product ranges are split into three main categories. The first category is own label brands which are developed by and exclusive to Debenhams (“own label”). Examples include Collection, Debut, Maine New England and Thomas Nash. Also included in own label brands are “Designers at Debenhams” which is a portfolio of diffusion lines designed for Debenhams, generally on an exclusive basis, by international fashion designers including Jasper Conran, Betty Jackson, Julien Macdonald and John Rocha. Debenhams has a portfolio of over 60 own label brands. In the 2008 financial year, sales of own label brands generated gross transaction value of approximately £990 million and seven of the brands each accounted for gross transaction value in excess of £50 million. The second category of products is international brands such as Estee Lauder, Levi Strauss and Radley. International brands generated gross transaction value of approximately £590 million in the 2008 financial year. Debenhams owns the stock for both own label brands and international brands and recognises the full value of their sales. They are collectively referred to as “own bought” products and brands and together they accounted for 71.8% of total sales in the 2008 financial year (including other own bought activities such as food services).

The final category of merchandise is “concession brands” which are third party brands sold through in-store concessions, such as Jane Norman, Jacques Vert and Wallis. Under such arrangements, Debenhams receives a pre-negotiated percentage of the concessionaire’s sales and carries no inventory risk. Concession brands generated gross transaction value of £643.0 million in the 2008 financial year.

This exclusive mix of own label, international brands and concession brands enables Debenhams to offer a differentiated customer proposition with a broad demographic appeal. In addition, the diversity of products and brands gives Debenhams appeal across all its product categories.

Debenhams has a portfolio of 154 stores across the United Kingdom and Republic of Ireland with approximately 11 million square feet of total trading space. Of these, 144 stores are department stores which vary in size from 13,000 square feet to 200,000 square feet of trading space, the average size being approximately 75,000 square feet. Department stores stock a full range of products, merchandised according to the size of store. In addition, there are ten smaller format Desire by Debenhams stores which trade from an average of 14,000 square feet and sell an edited range of womenswear, lingerie, women’s accessories, cosmetics and childrenswear. Debenhams’ stores are situated in a number of different types of locations, including town centres, high streets and shopping centres, and cover a wide geographic and size range. All of Debenhams’ stores that traded throughout the 2008 financial year contributed positively to Debenhams’ adjusted EBITDA in the 2008 financial year. The Directors believe this reflects the quality of the store portfolio.

Debenhams has made substantial investment in opening new department stores in order to generate further sales. Since December 2003, when Debenhams was acquired by Baroness Retail Limited, 24 new department stores have been opened, 16 of which have been opened since the IPO in May 2006. In addition, eight stores were acquired from the administrators of Allders plc in February 2005 and nine from Roches Stores Limited in September 2006, all of which have since been rebranded and now trade

under the Debenhams name. Ten Desire by Debenhams stores have also been opened since December 2003. As a result, 51 stores in total have been added to the store portfolio since December 2003, representing approximately 3 million square feet of additional trading space. Further, four department stores have been re-sited to new locations within existing geographies.

Debenhams has also appointed independent franchisees of 50 international franchise stores, including stores in Europe, the Middle East, India and south-east Asia. 40 of these have been opened since December 2003, increasing the number of countries in which Debenhams has a presence by 11. The Directors believe that international franchise stores represent an attractive opportunity for strong cash generation at low risk and a further three franchise stores are due to open during the remainder of the financial year 2009.

Debenhams has also been extending its customer reach by making direct sales through, and investing in, its internet business.

2 Strategy

The Directors have four key strategies to develop the Debenhams business:

- (a) a product strategy that offers a unique and differentiated customer proposition which builds on the success of own bought product ranges, particularly “Designers at Debenhams”;
- (b) investing for future growth through new store openings;
- (c) multi-channel retailing through online and international franchise businesses; and
- (d) tight management of resources in the current difficult economic environment.

2.1 Product strategy

Debenhams offers a unique and differentiated customer proposition through its mix of own label, international and concession brands. In comparison, other store groups tend to offer either mostly international or concession brands (such as Selfridges) or only own label brands (such as Marks & Spencer).

There are three key elements of Debenhams’ product strategy: (i) building on the success of own bought product ranges; (ii) improving the customer offer through brand rationalisation; and (iii) developing further the competitive advantage provided by “Designers at Debenhams”.

Own bought merchandise consists of two types of brands – own label brands including “Designers at Debenhams” brands (“own label”) and own bought third party brands (“international brands”). Debenhams owns the stock of these brands and recognises all of the revenue earned from sales. Conversely, for third party concession brands, the concession partner owns the stock and Debenhams receives a pre-negotiated percentage of gross transaction value. The margin difference between own bought sales and concession sales is therefore considerable, with average own bought intake margins of approximately 55% and average concession gross margins of approximately 25%.

Over the past two years Debenhams has made considerable investment in the design, quality and value of its own label products. This has included incorporating more design features into products as well as using better fabrics, trims and linings of garments. Debenhams has also made changes to the design, buying and merchandising functions of the business. The Directors believe this investment has been recognised by consumers and has resulted in Debenhams gaining total fashion market share over the past 18 months (source: TNS Worldpanel Fashion data).

Debenhams intends to build on the success of its own bought product ranges by increasing the proportion of own bought merchandise in its stores. In the 2008 financial year, the sales mix was 71.8% own bought and 28.2% concessions. It is the Directors’ intention to move towards a target mix of 80-85% own bought products over the next couple of years, which should increase overall gross margin (due to the difference between margins earned on the two different categories as described above). To this end, Debenhams intends to convert approximately 450,000 square feet of

trading space from concessions to own bought over the next year. This will be achieved in a number of ways. Existing brands across the chain will be maximised, such as extending J by Jasper Conran formal womenswear across the chain, from the 40 stores where it is currently available. A number of new brands and ranges will be introduced, including a womenswear collection designed by Matthew Williamson, an extension of the Mantaray surf/casual wear men's brand into womenswear and a new mid-price childrenswear brand called Bluezoo. A new sports and leisure department will also be introduced into around 40 stores. These changes are due to start taking effect from August/September 2009. While these changes may cause some disruption to Debenhams' offering in the short term, the Directors believe they will deliver long term margin benefits.

As well as improving the design, quality and value of own bought products, Debenhams' product strategy has also been refined in response to customer feedback regarding ease of shopping in Debenhams' stores and requirements for choice of product. As a result, Debenhams has sought to offer fewer, bigger "power" brands, particularly in womenswear. Some brands, such as Star by Julien Macdonald, have been increased both in terms of depth and breadth of range and store footprint. Certain other brands have been merged, such as Casual Club and Collection, while a number of other brands have been closed, such as Gorgeous and J. Taylor.

"Designers at Debenhams" is an important part of Debenhams' own label offer and a key differentiator and product icon for Debenhams' marketing efforts. First launched 15 years ago, "Designers at Debenhams" offers customers exclusive diffusion lines designed by internationally renowned fashion designers. The Directors believe that Debenhams enjoys strong relationships with many individual designers, developed over the past ten to 15 years, and that this relationship with Debenhams is important for many designers. "Designers at Debenhams" includes clothing, accessories and homeware products. Current "Designers at Debenhams" brands include BDL by Ben de Lisi, Betty Jackson.Black, Butterfly by Matthew Williamson, Floozie by Frost French, J by Jasper Conran, Rocha.John Rocha, Star by Julien Macdonald, Baker by Ted Baker, Pearce Fionda II, Reger by Janet Reger, Beach by Melissa Odabash, Grey Rose by Jane Packer, EB by Erickson Beamon and Van Peterson 925 by Eric van Peterson. Typically, designers agree not to design lines (except for their main designer labels and product categories that are not included in their Debenhams ranges) for competing retailers in the UK and Republic of Ireland.

An important part of Debenhams' product strategy is to increase the sales penetration of "Designers at Debenhams" brands across merchandise categories. The key ways in which it will seek to achieve this are through extending existing brands into new product categories (examples include the launch of the Matthew Williamson women's clothing collection and a homeware collection by Ben de Lisi in Autumn/Winter 2009/10); increasing the depth and breadth of existing product ranges (such as the introduction of casual clothing into Star by Julien Macdonald and partywear into Rocha.John Rocha); rolling existing brands out across the chain (including J by Jasper Conran, which is to be increased from 40 stores to all stores by the end of 2009); and introducing new designers into "Designers at Debenhams" as and when appropriate.

Despite the focus on developments in own bought products, the Directors believe that concessions should remain an integral part of Debenhams' product offer. Further, they believe that to be successful within Debenhams a concession must be a strong partner in design, quality and brand apparel and bring a point of difference to the consumer offer. Debenhams will seek to work with underperforming concessions to improve their performance.

2.2 *Investing for the future through new store openings*

Expanding the store portfolio continues to be a key driver of growth for Debenhams, despite the prevailing economic conditions. Debenhams currently has 154 stores in the UK and Republic of Ireland. Of these, 144 are department stores and ten are Desire by Debenhams stores. Since December 2003, 51 stores have been added to the portfolio, comprising 24 new department stores, ten new Desire stores, eight former Allders stores and nine former Roches stores. Among these are new flagship stores in Dublin, Liverpool and Westfield London. Despite this store opening programme, the Directors believe that Debenhams is still relatively immature in terms of store numbers and has the potential substantially to increase the number of department stores and Desire by Debenhams stores in the UK over time.

Debenhams endeavours to focus its new stores programme on attractive new catchments, without impacting significantly on existing stores.

Debenhams has signed contracts (including conditional contracts) to open 13 new department stores, one re-sited department store and two new Desire stores during the next five financial years. This includes a new flagship store in Newcastle-upon-Tyne, which is due to open in autumn 2009. In total, these store openings will add another 930,000 square feet of trading space, taking the Group's total to around 12 million square feet. As the majority of new stores are opened in shopping centres, the timing of new store openings is very much dependent on centre developments being completed on schedule.

Debenhams applies a disciplined approach to capital expenditure on new stores. As a result, the capital expenditure spend on a new department store has decreased by approximately 43% since 2003 to an average of £100 per square foot for new stores opened so far in financial year 2009. Return on investment for new department stores opened in the financial years 2006 and 2008 averages 56% (calculated as EBITDA /net store capital investment) with stores opening in the financial year 2009 so far averaging 48%.

2.3 ***Multi-channel retailing through online and international franchise stores***

Apart from its UK and Republic of Ireland stores, Debenhams has two other growing sales channels, the online business "Debenhams Direct" and international franchise stores.

2.3.1 *Debenhams Direct*

According to Verdict's "UK e-Retail 2008" report, almost 45% of the UK adult population now shops online. Annual online spend is expected to double by 2012. Online clothing retailers continue to expand and, according to Verdict, homeware sales are "beginning a period of expansive online growth".

Debenhams offers customers the opportunity to buy approximately 95% of own bought products and an increasing number of concession products online at www.debenhams.com. The Directors believe that the online store will become the Company's single largest store within the next few years.

In 2006 Debenhams invested £5.3 million in a new website platform to replace a system which was failing to cope with the traffic volumes the site was attracting. The first phase of the upgraded site was launched in November 2006. Since then, online sales have grown strongly and in the 26 weeks to 28 February 2009 recorded a 29.7% year-on-year gross transaction value increase to £27.2 million, contributing 2.1% of total gross transaction value. The EBITDA attributable to Debenhams Direct in the 26 weeks to 28 February 2009 increased by 187.0%. Visitor numbers to the Debenhams website increased by 31.9% during this period.

New and improved features and services are added to Debenhams Direct on a regular basis. In the past 12 months these include enabling customers to return unwanted items to their local store, adding catwalk video content and zoom facilities to product pages to assist customer choice and outfit building, the launch of the online "Outlet" through which customers can access all special offers, discounts and sale items from one website location, an enhanced "Designers at Debenhams" section, a customer feedback/review facility, a gift finder service and social networking connections such as Facebook and Twitter.

The Directors believe that integrating the in-store and online customer interface will both enhance customer service and lead to additional sales. Customers are already able to return unwanted goods ordered online to a Debenhams store. Trials are being conducted in ten stores giving customers in store access to Debenhams Direct which improves availability and gives customers in smaller stores access to the full range of Debenhams merchandise. Other features currently being developed include "Click and Collect" whereby customers can order items online and collect them from their chosen store, online "Track and Trace" and premium delivery services.

2.3.2 *International franchise stores*

Debenhams has focused on expanding internationally through a low resource/low risk franchise model. The first international franchise store was established in Bahrain in 1997. There are now 50 stores, in Bahrain, Cyprus, Czech Republic, Iceland, India, Indonesia, Iran, Jordan, Kuwait, Malaysia, Moldova, the Philippines, Qatar, Romania, Saudi Arabia, Turkey and the United Arab Emirates. To ensure brand and product control, Debenhams has a dedicated team focused on international franchisees.

Under Debenhams' arrangements with the franchise operators, Debenhams supplies products to the franchise stores and is paid the cost of these products plus a margin, and also retains a percentage of gross transaction value from sales of products from third-party suppliers. Each season Debenhams recommends price positions and product trends to its international franchise partners. Debenhams and its partners work together to agree on profile ranges in light of local selling conditions, which often include different customer shopping habits and seasonal trends. In general, franchise partners stock their stores with merchandise from Debenhams' general product lines, supplemented with product lines from other suppliers to meet store and market-specific needs.

Debenhams often second a small number of employees to its franchise stores for short periods of time. Stores are inspected on a quarterly basis. Debenhams contributes management, marketing, store opening and training support. The franchise partner is responsible for the financial investment required to acquire the store site, open the store, manage working capital and acquire stock. Franchise agreements are generally long-term arrangements (usually 10-20 years). They can usually be terminated by Debenhams for failure to meet agreed-upon development and performance targets or after a change of control of the franchise partner, amongst other reasons. Debenhams licences its registered trademark to its franchise partners as appropriate for use in their franchise territories. Debenhams generally does not commit capital or invest directly in a franchise store, except in Cyprus where Debenhams acquired a 10% interest in the franchise partner.

International sales (sales by Debenhams to its franchisees) were £31.6 million in the 26 weeks to 28 February 2009, an increase of 17.0% over the prior year. As such, they contributed 2.4% of total gross transaction value in the 26 weeks to 28 February 2009, up from 2.1% in the prior year. EBITDA attributable to the international business grew by 41.0% in the 26 weeks to 28 February 2009.

During the 26 weeks to 28 February 2009, eight new franchise stores were opened, including the first in Iran. One store has opened since the end of this period and a further two stores are scheduled to open in the remainder of the 2009 financial year. An additional 18 stores are at an advanced stage of negotiation with franchisees. The Directors expect to have over 100 international franchise stores by the end of financial year 2013.

2.4 ***Tight management of resources in difficult economic environment***

In the current economic environment, the Directors believe that it is vital to ensure the Company's resources are managed tightly.

2.4.1 *Cost management*

Cost savings were achieved in the 2008 financial year and further cost savings have been targeted for the 2009 financial year. These savings are the result of a number of cost saving initiatives throughout Debenhams' business, including reductions in distribution costs due to lower stock holdings; more efficient back-of-house operations in stores as a result of the introduction of new technology; lower marketing and advertising costs; and a pay freeze for the senior management group (comprising approximately 750 people).

2.4.2 *Stock and supply chain management*

Following the brand rationalisation programme undertaken during the 2008 financial year, Debenhams' has tightened its control over stockholding and targeted lower stocks. At 28 February 2009, total stock holding has increased by only 0.4% on the previous year

(despite the 6.3% additional stock requirement for new stores and 2.5% for the increase in space allocated to own bought ranges). Same-store stock density was 8.4% lower than the prior year during this period and terminal stock was at its lowest historical level.

Management of all components of the supply chain is also extremely important in order to ensure margin protection. Key components of the supply chain include labour rates (especially in China), commodity prices, fuel and energy prices and transportation costs, as well as foreign exchange rates for products bought in currencies other than sterling (principally US dollars). Debenhams concentrates its sourcing of own label products around three main sourcing hubs: Far East (predominantly China), India and Turkey. In the 2008 financial year, these hubs represented 63%, 9% and 7% of the total own label buy, respectively. Satellite buying offices located in Hong Kong and Turkey assist in the buying process and management of supplier relationships.

2.4.3 *Capital expenditure management*

In the 2008 financial year, Debenhams invested £129.1 million in fixed asset additions. Of this amount, 47% related to new stores, 23% to store refurbishments, 19% to maintenance, 6% to systems and 5% to other items. In the 2009 financial year, management expects fixed asset additions to reduce to approximately £90 million. This reduction will be achieved through the deferral of much of the store refurbishment programme and the delay or cancellation of other capital projects which do not meet required return rates as well as fewer new store openings compared with the prior financial year. Given the strong returns generated from new store openings, the Directors do not intend to curtail the new store programme except where constrained by developers' own difficulties.

3 Divisional information

Within the broad grouping of own bought and concession merchandise, Debenhams offers its customers a diversified range of product categories. These include womenswear, menswear, homewares and gifts, health and beauty, accessories, childrenswear and lingerie. Compared to Debenhams' principal department store competitors, Debenhams dedicates more of its trading space to clothing and accessories, which usually generate comparatively higher margins than other product categories.

Womenswear

Womenswear products include formalwear, casualwear, occasionwear and outerwear. Own label brands include Collection, Debut and Red Herring. "Designers at Debenhams" brands include J by Jasper Conran, Betty Jackson.Black and Star by Julien Macdonald. Concession operations include Jane Norman, Jacques Vert and Wallis.

Menswear

The majority of menswear sales come from own bought brands, including own label brands such as Mantaray, Red Herring and Thomas Nash, "Designers at Debenhams" such as J by Jasper Conran and Rocha.John Rocha and international brands such as adidas, Ben Sherman and Levi Strauss. The major menswear concession is BMB Menswear which offers suits.

Homewares and gifts

Homeware products include china, cookware, glass, linens, soft furnishings, small electrical appliances and home accessories. Larger items such as furniture and beds are sold in selected stores. Large electrical appliances are sold online through Debenhams Direct. Own label brands include Le Vrai Gourmet and Wine Gourmet, "Designers at Debenhams" include Betty Jackson.Black, J by Jasper Conran, Rocha.John Rocha and Star by Julien Macdonald. International brands include Denby, Le Creuset and Tefal. Concessions include Montgomery and Sonex. Gift products include seasonal and celebratory items for men, women, children and families.

Health and beauty

Health and beauty includes both the premium cosmetics, skincare and fragrance brands, which are an important part of Debenhams' product offering, and "wellbeing" products that have steadily gained popularity among consumers. The health and beauty department normally occupies space near the front entrance of each store. Many stores also offer health and beauty services including hairdressing, spa services and other services (such as nail bars, lash and brow bars and self-tanning services).

Products include internationally known brands such as Chanel, Clarins, Clinique and Estee Lauder and newer brands such as Bare Minerals, Benefit and Elemis. Almost all of the sales in health and beauty are of international brands. Debenhams often has agreements with the manufacturers of these brands whereby they bear a portion of the costs relating to constructing product displays and counter areas and the costs of sales advisors.

Accessories

Accessories include belts, footwear, gloves, handbags, hats, jewellery and watches, scarves, stationery, sunglasses and swimwear. Own label brands include Collection, Mantaray and Red Herring. "Designers at Debenhams" brands include Beach by Melissa Odabash, Butterfly by Matthew Williamson and EB by Erickson Beamon as well as most of the womenswear designers. International brands include Citizen, Fiorelli and Radley. Concessions include John Richard jewellery and Tripp luggage.

Childrenswear

Debenhams' childrenswear department sells babywear and girls and boyswear up to the age of 14. The department is split by age group and gender for ease of shopping. Brands include Baker by Ted Baker, J Junior by Jasper Conran, Rocha.Little Rocha and St George by Duffer. The majority of childrenswear products are own label.

Lingerie

Lingerie products include underwear, hosiery and sleepwear. The majority of sales come from own label brands including "Designers at Debenhams" brands J by Jasper Conran, Reger by Janet Reger and Floozie by Frost French and international brands Playtex, Sloggi and Ultimo. Selected stores operate concessions such as La Senza.

Food services

Some 170 restaurants and cafes are located in Debenhams' stores. Debenhams has two distinct food services formats: a family-style self-service restaurant which serves all day meals and snacks and a coffee bar format which specialises in coffee and light refreshments. The Directors believe that the restaurants and cafes enhance the overall shopping experience of customers and that patrons of food services tend to spend more time and money in stores than other customers. Restaurants enable Debenhams to make profitable use of space not only by making food sales but also by attracting shoppers to the upper floors of its department stores where restaurants are usually located.

4 Employees

As of 28 February 2009, Debenhams employed 24,295 people worldwide, nearly all of whom work in the United Kingdom and Republic of Ireland, of which 34% were full time and 66% part time. Debenhams also has small sourcing offices in Hong Kong and Turkey. The following table reflects the number of Debenhams employees as at the dates indicated:

	As of 28 February 2009	As of 30 August 2008	As of 1 September 2007	As of 2 September 2006
Employees				
Head office base head count.....	1,757	1,806	1,850	1,772
Stores base head count.....	22,538	22,544	21,384	19,860
Total.....	24,295	24,350	23,234	21,632

In addition to salary, some head office staff, store managers and sales managers are eligible for an annual bonus which is based on a combination of Debenhams' overall profits and sales and/or specific sector or departmental factors. Store managers and sales managers' bonuses are based on store performance.

5 Debenhams customer base

Debenhams' product mix and broad offering, with a clearly targeted brand and product strategy, allow it to target a wide demographic as well as the aspirational designer segment. Third-party research indicates that customers believe Debenhams provides "a good range of products and in-store ambience" as compared to other leading UK clothing retailers (source: Verdict Customer Satisfaction Index 2009). Debenhams' customer base spans a range of ages and socio-economic groups. According to Verdict "UK Department Stores 2009", Debenhams' core customer base stretches across a wide range of socio-economic groupings and 25-55 year old men and women. The Company's research suggests that approximately two-thirds of visitors to Debenhams' stores are female, many of whom shop not only for themselves but also for their spouses, partners and families.

6 Competition/market environment

As a multi-category retailer, Debenhams competes with other department stores (such as House of Fraser, John Lewis Partnership and Marks & Spencer), supermarkets and discounters, as well as the specialist retailers in each individual product category. Outside of the department store sector, Debenhams faces competition from retailers of different sizes and with different sales strategies. Among others, Debenhams competes against Next and Bhs; fashion retailers such as French Connection, New Look, Topshop and Zara; specialty retailers such as Boots (cosmetics), Burton (menswear) and Habitat (homewares); discount stores such as Matalan and Primark; supermarkets; warehouse clubs; local independent retailers; catalogues; and various internet websites. Debenhams competes with all of these entities for the same customers and they, together, impact Debenhams' pricing strategies and sales. The Directors believe that the biggest cross shop for Debenhams customers is with Marks & Spencer and Next.

The department store market is highly competitive, particularly with respect to merchandise selection and quality, store location and design, inventory, pricing, customer service and advertising. According to Verdict, Debenhams has the second largest market share among UK department store retailers based on gross transaction value and it competes with national store chains, such as House of Fraser, John Lewis Partnership and Marks & Spencer, premium department stores and smaller regional chains. Marks & Spencer is the market leader in the UK department store sector, with over 600 stores in total in the United Kingdom and Republic of Ireland (source: Marks & Spencer 2008 Annual Report). Marks & Spencer operates department stores plus a number of smaller food outlets and other stores that are based on different formats. Marks & Spencer predominantly sells own label products. Marks & Spencer differs from Debenhams and its other competitors in the UK market in that a significant proportion of its sales are of food.

John Lewis Partnership operates 27 department stores and has a particularly strong homewares product offering (source: John Lewis 2009 Annual Report). It also offers womenswear, menswear and other categories in a mix of own label, international and concession brands. John Lewis Partnership also owns the Waitrose supermarket chain and has introduced store formats that sell grocery, homewares and other products.

House of Fraser is the fourth largest department store chain in the United Kingdom and operates 62 department stores (source: House of Fraser website, May 2009). Its product categories include clothing, accessories, cosmetics and homewares. House of Fraser differs from Debenhams in that much of its offering (other than cosmetics) is generally at higher price points than Debenhams following a deliberate move "upmarket". Its products are predominantly international and concession brands.

Next operates from over 500 stores in the UK and Republic of Ireland (source: Next 2009 Annual Report). Its major product categories are own label clothing, accessories and homewares. Next also has a large catalogue and online business which represents approximately 27% of its sales.

7 In-store experience

The Directors believe that the creation of an attractive and pleasant store environment is an important aspect of successful retailing. Debenhams aims to achieve this by:

- focusing on visual merchandising to give each brand more credibility and clarity;
- using clear branding within departments;

- displaying “Designers at Debenhams” ranges in a more premium way with features which are unique to individual brands;
- using fixtures to assist customers in building an outfit;
- giving a greater sense of space to allow easier branding; and
- providing ideas through the extensive use of mannequins and lifestyle sets.

A programme of store refurbishments was carried out during financial years 2006 to 2008, but much of this programme has now been deferred in light of the current economic climate. The womenswear departments of the majority of stores have, however, received new branding and fixtures to complement the extension and rebranding of Collection, J by Jasper Conran and Star by Julien Macdonald. It remains the Directors’ intention to complete the store refurbishment programme of the remaining 40 or so stores when the retail environment improves.

8 Customer services

Debenhams is dedicated to providing exceptional customer service to ensure the highest levels of customer satisfaction. Debenhams monitors its customer service through regular third-party testing in all its stores, such as an ongoing “mystery shopper” programme. Recent initiatives include the introduction of a radio frequency system in all stores which facilitates better clarity of pricing – particularly during sale periods or when items have been marked down within season – and enables sales advisors to respond to customer queries on availability more easily and quickly.

In many of its stores, Debenhams offers a number of specialist services to customers which both improve customer satisfaction and provide an opportunity to increase sales. These include health and beauty services, personal shopping services, customer lounges, locker facilities and celebration gift services. The newest stores in Debenhams’ portfolio, such as Westfield, London, contain a number of “service worlds” dedicated variously to women’s pamper services and customer services.

The Directors believe that Debenhams is one of the largest operators of celebration gift services in the UK. The service is predominantly used for weddings but can be tailored for any celebratory event.

9 Debenhams store card, branded credit card and other financial services

The Debenhams store card is a proprietary card provided to Debenhams’ customers for use within Debenhams stores and for purchases through Debenhams’ internet site. Debenhams has outsourced its store card operations to GE Money to 2015. In addition to the Debenhams store card, a branded credit card is also available to customers which allows them to make purchases of goods and services at any other location where Mastercard is accepted in addition to Debenhams’ own stores.

Holders of Debenhams store and credit cards (“account cards”) are entitled to privileges, such as exclusive sale previews, in-store discounts and free gifts. In addition, certain customers are eligible for “gold card” status, which entitles them to further benefits. The Directors believe that these benefits help to develop increased customer loyalty and allow Debenhams to learn more about its customers’ preferences so that Debenhams can better tailor its product offerings to meet their preferences. Debenhams uses data collected from its cardholders for its direct marketing efforts and to offer special cardholder events.

Debenhams offers a number of financial services products including travel, wedding, pet, home and motor insurance. The Directors believe that these products strengthen Debenhams’ relationship with its customers by expanding the products Debenhams provides to them.

10 Suppliers and logistics

Debenhams decides where to source products from based on a variety of factors, primarily quality and value. Debenhams concentrates the sourcing of its own label products around three main sourcing hubs: the Far East (principally China), India and Turkey. In the 2008 financial year, these hubs represented

approximately 63%, 9% and 7% of total own label purchases, respectively. Debenhams' supply chain department has satellite offices in Hong Kong and Turkey to assist in the management of relationships with suppliers in those regions.

Debenhams sources many of its own label products directly from suppliers (rather than through agents) and so is able to build strong relationships with its suppliers, some of which it has dealt with for over 25 years. A programme to consolidate suppliers has been underway since 2003 and during the 2008 financial year Debenhams had some 450 suppliers in total. Given the current economic environment, further consolidation of the supplier base has been temporarily put on hold to ensure alternative suppliers are available to secure continuity of supply in the event of supplier failure. The 30 largest suppliers were responsible for 53% of total own label purchases during the 2008 financial year.

Debenhams has three main operational distribution centres, two of which are located in Northampton (Lodge Farm and Brackmills) and one in Peterborough. The latter was opened in July 2005 and has enabled Debenhams to extract significant operational improvements in its logistics operations. Debenhams' logistics operations in the UK and the Republic of Ireland have been outsourced to DHL Supply Chain.

11 Responsible retailing

Debenhams takes its responsibilities towards its customers, employees, the employees of its suppliers, the local communities in which it operates and the environment very seriously. Debenhams believes that management of and accountability for corporate responsibility should be embedded in the relevant business activity rather than a centralised corporate responsibility function. For example, ethical sourcing and trading is the responsibility of the Director of Supply Chain who in turn reports directly to the Deputy Chief Executive. A cross functional corporate responsibility steering committee meets regularly to review progress and policies which is chaired by the Human Resources Director.

Debenhams provides a corporate responsibility review in its annual report and accounts. This includes information on ethical sourcing – such as the factory audit and approval process – and ethical products. Also included in the 2008 corporate responsibility report was information on Debenhams' carbon footprint and other environmental initiatives including waste reduction and recycling and energy efficiency. This report also details Debenhams' policies and programmes in relation to its employees (including equal opportunities and disability discrimination), health and safety and Debenhams' community programmes, which include its award-winning Local Employment Partnership programmes which aim to get people in the community who have been out of work for some time back to work.

12 Advertising and marketing

Debenhams promotes the Debenhams brand, its own label brands, international brands and concessions brands. Joint branding and marketing campaigns are frequently undertaken with providers of international brands, particularly in the health and beauty department.

Debenhams' "Styling the Nation" campaign was launched during the 2004 financial year and has continued to be a cornerstone of Debenhams' advertising and marketing programmes with the aim of targeting a wider audience, seeking to reach younger more fashionable consumers without alienating core customers. The focus has also been on "Designers at Debenhams" products and "bringing the catwalk to the high street at affordable prices". During the 2008 financial year, the principal advertising medium was national and local print with radio and television used to support major promotional activity. Looking forward, a new advertising and marketing theme will be "Design in Every Department".

Debenhams is also using an increasing amount of direct marketing with customers, either mailing to holders of the various account card products or to customers who are users of, or have registered with, Debenhams Direct.

In April 2009, Debenhams launched the "Debenhams Beauty Club" reward card as a year-round marketing tool for its health and beauty department. "Beauty Club" packages up services and promotions as well as rewarding customers for their spend and behaviour in store.

13 Information technology

Debenhams' central network operations are located in its Taunton administrative centre. The Directors believe that information technology is an important tool for the management of Debenhams' business. From the 2004 financial year to the 2008 financial year, Debenhams invested approximately £51 million in IT development. Each of Debenhams' stores is equipped with electronic point of sale tills with chip and pin devices that record sales information and distribute it to a central retail information system that manages and controls its inventory. This is further augmented by a range of planning and forecasting tools, proprietary markdown computer models and other analytical capabilities including a data warehouse.

In the 2007 financial year, £5.7 million was invested in a radio frequency network across the store portfolio which has increased the efficiency and effectiveness of price management and stock management.

Debenhams also used advanced computer-aided design systems to support the quick, efficient development and design of new ranges of own label brands. Images created by the design system are retained for use in store design, advertising and planning and are distributed to Debenhams' suppliers to ensure that products are produced in accordance with its quality and design specifications. Other operational capabilities include a warehouse management system and a business-to-business collaboration system. A business continuity facility is in place to provide continued IT operations in the event of a disaster at the London or Taunton site.

14 Intellectual property

Debenhams owns the rights to the Debenhams name, which is Debenhams' most important trademark and which Debenhams has registered in over 85 countries. Debenhams uses the Debenhams name as a trade name, as a trademark in connection with various merchandise and as a service mark. Debenhams has also registered numerous trademarks in connection with its own label products in both the United Kingdom and abroad, and has licences to use the names of the brands that are part of its "Designers at Debenhams" offering. Debenhams licences its registered trademarks to its franchise partners as and when appropriate for use in their franchise territories. Debenhams has registered variations of the "Debenhams" domain name, and other domain names, with the appropriate authorities in the United Kingdom and abroad. In general, Debenhams owns the copyrights in the designs created or commissioned by Debenhams. Debenhams also owns certain intellectual property rights with respect to customer data associated with its store card, to which Debenhams grants its store card provider limited access. Debenhams has no material patents. Debenhams regards its trademarks and other intellectual property as valuable assets in the marketing of its products and takes appropriate action as and when necessary to protect them.

15 Insurance

Through its insurance brokers, Debenhams arranges insurance to cover risks associated with operating a general retail organisation, such as property damage, terrorism, business interruption, public and product liability, employer's liability and directors' and officers' liability.

16 Regulatory matters

Debenhams offers certain financial services to its customers, including the Debenhams store card, an account card and its insurance offerings, each of which is subject to various degrees of government regulation. Debenhams' store and credit card operations are subject to numerous laws, including laws that impose disclosure and other requirements upon the origination, servicing and enforcement of credit accounts, and these regulations change from time to time. Debenhams provides its financial services in partnership with third parties.

Debenhams' operations are also subject to governmental regulation from British, Irish, European Union and other international regulatory authorities concerning, among other things, export and import quotas and other customs regulations; consumer and data protection; the advertisement, promotion and sale of merchandise; product safety; the health, safety and working conditions of Debenhams' employees; the safety of Debenhams' stores and their accessibility for the disabled; the safety of Debenhams' food products; environmental matters; and Debenhams' competitive and marketplace conduct.

PART 5

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

The Group's audited consolidated historical financial information as of and for the three financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 and its unaudited consolidated historical financial information as of and for the 26 week periods ended 1 March 2008 and 28 February 2009 was published, respectively, in the Annual Reports produced for 2006, 2007 and 2008, and in the reports produced for the 26 week periods ended 1 March 2008 and 28 February 2009.

Certain historical financial information, in particular in relation to the three financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 and the 26 week periods ended 1 March 2008 and 28 February 2009, on the Group has been incorporated by reference into this document. The information provided under Part 9 ("Relevant Documentation and Documentation Incorporated by Reference") is intended to enable easy identification of specific items of information which have been incorporated by reference into this document.

PricewaterhouseCoopers LLP, whose address is Benson House, 33 Wellington Street, Leeds LS1 4JP, United Kingdom, are the auditors of Debenhams and audited the financial statements of Debenhams for the financial years ended 2 September 2006, 1 September 2007 and 30 August 2008. Their reports in respect of the financial statements for each of the three financial years ended 30 August 2008 were unqualified. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

The historical financial information should not be viewed as a likely indicator of future financial performance, particularly in light of ongoing difficulties in the financial markets. See the section of this document entitled "Risk Factors", Part 1 ("Letter from the Chairman of Debenhams plc") and Part 7 ("Operating and Financial Review").

Selected consolidated historical financial information on the Group

The selected consolidated historical financial information presented below is presented in pounds sterling, prepared in accordance with IFRS and extracted without material amendment from the consolidated financial statements for the relevant period.

You should read the information below in conjunction with the rest of this document and the information incorporated by reference into this document and should not rely solely on selected and summarised information.

Consolidated income statement

	For the 26 weeks ended		For the financial year ended		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	£m (except as stated)				
	(unaudited)		(audited)		
Revenue	1,064.8	1,029.3	1,839.2	1,774.4	1,707.7
Cost of sales	(886.0)	(854.5)	(1,571.6)	(1,508.4)	(1,376.3)
Analysed as:					
Cost of sales before exceptional items	(886.0)	(854.5)	(1,571.6)	(1,494.9)	(1,376.3)
Exceptional cost of sales	—	—	—	(13.5)	—
Gross profit	178.8	174.8	267.6	266.0	331.4
Distribution costs	(24.9)	(26.9)	(50.0)	(47.0)	(53.0)
Analysed as:					
Distribution costs before exceptional items	(24.9)	(26.9)	(50.0)	(46.2)	(53.0)
Exceptional distribution costs	—	—	—	(0.8)	—
Administrative expenses	(19.2)	(20.4)	(41.5)	(39.2)	(54.8)
Analysed as:					
Administrative expenses before exceptional items	(19.2)	(20.4)	(41.5)	(39.2)	(40.2)
Exceptional administrative expenses	—	—	—	—	(14.6)
Operating profit	134.7	127.5	176.1	179.8	223.6
Analysed as:					
Operating profit before exceptional items	134.7	127.5	176.1	194.1	238.2
Exceptional operating items	—	—	—	(14.3)	(14.6)
Profit before interest	134.7	127.5	176.1	179.8	223.6
Interest payable and similar charges	(33.1)	(38.1)	(75.0)	(70.8)	(168.8)
Analysed as:					
Interest payable and similar charges before exceptional items	(33.1)	(38.1)	(75.0)	(70.8)	(132.7)
Exceptional interest payable and similar charges	—	—	—	—	(36.1)
Interest receivable and similar income	0.6	2.6	4.8	4.2	7.3
Profit before taxation	102.2	92.0	105.9	113.2	62.1
Taxation	(21.0)	(26.9)	(28.8)	(34.2)	(18.4)
Analysed as:					
Taxation before exceptional items	(21.0)	(26.9)	(28.8)	(36.9)	(32.7)
Taxation credit on exceptional items	—	—	—	2.7	14.3
Profit for the financial period/year attributable to equity shareholders	81.2	65.1	77.1	79.0	43.7
Earnings per share attributable to equity shareholders (expressed in pence per share)	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share
Basic	9.3	7.6	9.0	9.3	7.4
Diluted	9.3	7.6	9.0	9.3	7.4
Dividends per share (expressed in pence per share)	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share
Proposed final dividend per share	—	2.5	0.5	3.8	2.4

Consolidated balance sheet

	As at		As at		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	(unaudited)		(audited)		
	£m (except as stated)				
Assets					
Non-current assets					
Intangible assets	838.5	841.6	840.8	842.9	836.1
Property, plant and equipment	677.4	680.9	693.3	667.7	639.5
Financial assets					
– Available-for-sale investments	8.1	11.9	11.0	20.3	8.2
– Derivative financial instruments	2.9	0.8	8.2	19.7	7.8
Retirement benefit assets	—	100.6	25.0	87.3	13.8
Deferred tax assets	56.7	55.2	57.4	52.3	51.1
	1,583.6	1,691.0	1,635.7	1,690.2	1,556.5
Current assets					
Inventories	249.9	249.0	237.5	244.6	207.8
Trade and other receivables	58.6	50.7	58.5	65.6	63.9
Derivative financial instruments	40.0	2.4	10.5	3.0	—
Cash and cash equivalents	139.3	139.2	42.1	80.4	34.0
	487.8	441.3	348.6	393.6	305.7
Liabilities					
Current liabilities					
Financial liabilities					
– Bank overdraft and borrowings	(173.5)	(126.0)	(144.5)	(104.8)	(33.1)
– Derivative financial instruments	(0.9)	(0.8)	—	(2.2)	(5.3)
Trade and other payables	(415.5)	(471.6)	(470.2)	(468.6)	(400.4)
Current tax liabilities	(41.7)	(42.7)	(29.9)	(31.6)	(18.8)
Provisions for liabilities and charges	(0.6)	(0.7)	(0.7)	(2.2)	(4.7)
	(632.2)	(641.8)	(645.3)	(609.4)	(462.3)
Net current liabilities	(144.4)	(200.5)	(296.7)	(215.8)	(156.6)
Non-current liabilities					
Financial liabilities					
– Bank overdraft and borrowings	(893.0)	(992.5)	(891.6)	(992.1)	(1,097.0)
– Derivative financial instruments	(28.3)	(2.1)	(0.7)	—	(2.3)
Deferred tax liabilities	(77.9)	(111.7)	(95.3)	(111.6)	(84.8)
Other non-current liabilities	(268.5)	(207.8)	(225.8)	(207.1)	(161.0)
Provisions for liabilities and charges	(0.2)	(0.4)	(0.3)	(0.6)	(1.5)
Retirement benefit obligations	(8.7)	—	—	—	—
	(1,276.6)	(1,314.5)	(1,213.7)	(1,311.4)	(1,346.6)
Net assets	162.6	176.0	125.3	163.0	53.3
Shareholders' equity					
Share capital	0.1	0.1	0.1	0.1	0.1
Share premium	682.9	682.9	682.9	682.9	682.9
Merger reserve	1,200.9	1,200.9	1,200.9	1,200.9	1,200.9
Reverse acquisition reserve	(1,199.9)	(1,199.9)	(1,199.9)	(1,199.9)	(1,199.9)
Hedging reserve	2.4	0.1	10.8	15.4	1.5
Other reserves	1.1	4.7	5.1	13.1	1.0
Retained earnings	(524.9)	(512.8)	(574.6)	(549.5)	(633.2)
Total equity	162.6	176.0	125.3	163.0	53.3

Consolidated cash flows

	For the 26 weeks ended		For the financial year ended		
	28 February 2009	1 March 2008	30 August 2008	1 September 2007	2 September 2006
	£m (except as stated)				
	(unaudited)		(audited)		
Cash flows from operating activities					
Cash generated from operations	160.4	180.9	285.8	311.2	317.0
Interest received	0.6	2.6	4.8	4.3	7.8
Interest paid	(29.3)	(33.8)	(71.6)	(70.5)	(147.4)
Tax paid	(10.9)	(13.7)	(27.6)	(17.6)	12.9
Net cash generated from operating activities	120.8	136.0	191.4	227.4	190.3
Cash flows from investing activities					
Purchase of property, plant and equipment	(50.4)	(69.8)	(124.9)	(85.2)	(88.6)
Purchases of intangible assets	(0.8)	(2.1)	(4.2)	(11.5)	—
Proceeds from sale of property, plant and equipment	—	3.5	3.5	0.2	0.1
Net cash used in investing activities	(51.2)	(68.4)	(125.6)	(96.5)	(88.5)
Cash flows from financing activities					
Drawdown of term loan facility	—	—	—	—	1,050.0
Repayment of senior term loan	—	—	—	—	(1,827.6)
Repayment of term loan facility	—	—	(100.0)	—	—
Proceeds from issue of ordinary shares	—	—	—	—	700.0
Dividends paid	(2.4)	(32.6)	(44.4)	(42.0)	—
Share issue costs from 2006 listing	—	—	—	—	(12.6)
Appropriation – settlement of “B” loan notes	—	—	—	—	(50.1)
Appropriation – settlement of “C” loan notes	—	—	—	(0.2)	(22.1)
Receipt of monies for employee share options	—	—	—	0.2	—
Purchase of shares by Debenhams Retail Employee Trust 2004 (“DRET”)	—	(1.1)	(1.1)	(0.1)	(2.0)
Payments for reduction in outstanding finance lease liability	(0.1)	(0.7)	(0.7)	(0.4)	—
Capitalised debt issue costs	—	(1.7)	(1.8)	—	—
Appropriation by DRET	—	—	—	(9.4)	(1.1)
Net cash used in financing activities	(2.5)	(36.1)	(148.0)	(51.9)	(165.5)
Net increase/(decrease) in cash and cash equivalents	67.1	31.5	(82.2)	79.0	(63.7)
Net cash and cash equivalents at beginning of financial period/year	(2.9)	79.3	79.3	0.3	64.0
Net cash and cash equivalents at end of financial period/year	64.2	110.8	(2.9)	79.3	0.3

PART 6

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Section A: Unaudited pro forma consolidated net assets statement

The unaudited consolidated pro forma consolidated net assets statement set out below has been prepared to illustrate the effect of the Capital Raising on the net assets of the Group if the Capital Raising had taken place as at 28 February 2009. The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma consolidated net assets statement is compiled on the basis set out in the notes below.

Unaudited pro forma consolidated net assets statement

	As at 28 February 2009	Adjustment	Pro Forma Total
	(£m) (Note 1)	(£m) (Note 2)	(£m)
Assets			
Non-current assets			
Intangible assets	838.5	—	838.5
Property, plant and equipment	677.4	—	677.4
Financial assets			
– Available-for-sale investments	8.1	—	8.1
– Derivative financial instruments	2.9	—	2.9
Retirement benefit assets	—	—	—
Deferred tax assets	56.7	—	56.7
	1,583.6	—	1,583.6
Current assets			
Inventories	249.9	—	249.9
Trade and other receivables	58.6	—	58.6
Derivative financial instruments	40.0	—	40.0
Cash and cash equivalents	139.3	249.9	389.2
	487.8	249.9	737.7
Liabilities			
Current liabilities			
Financial liabilities			
– Bank overdraft and borrowings	(173.5)	2.3	(171.2)
– Derivative financial instruments	(0.9)	—	(0.9)
Trade and other payables	(415.5)	—	(415.5)
Current tax liabilities	(41.7)	—	(41.7)
Provisions for liabilities and charges	(0.6)	—	(0.6)
	(632.2)	2.3	(629.9)
Net current assets/(liabilities)	(144.4)	252.2	107.8
Non-current liabilities			
Financial liabilities			
– Bank overdraft and borrowings	(893.0)	54.2	(838.8)
– Derivative financial instruments	(28.3)	—	(28.3)
Deferred tax liabilities	(77.9)	—	(77.9)
Other non-current liabilities	(268.5)	—	(268.5)
Provisions for liabilities and charges	(0.2)	—	(0.2)
Retirement benefit obligations	(8.7)	—	(8.7)
	(1,276.6)	54.2	(1,222.4)
Net assets	162.6	306.4	469.0

Notes

1. The financial information has been extracted, without material adjustment, from the unaudited interim results of the Group for the 26 weeks ended 28 February 2009, incorporated by reference in Part 9 of this document.
2. Adjustment to reflect the net proceeds of the Capital Raising receivable by the Company of £306.4 million (being gross proceeds of £323.2 million less estimated fees relating to the equity financing of approximately £16.8 million), less fees of £6.5 million relating to the amendment of the existing debt facilities. Of the £306.4 million of net proceeds, £50.0 million will be used to pre-pay part of the £150.0 million amortisation payment in respect of the revolving credit facilities which falls due in May 2010. In addition the estimated fees relating to the amendment of the existing debt facilities of £6.5 million have been capitalised within current borrowings (£2.3 million) and long term borrowings (£4.2 million) as debt issue costs.
3. No adjustment has been made to reflect the trading results of the Group since 28 February 2009 or the £100.0 million amortisation repayment in May 2009 or the buyback of debt with a par value of £2.8 million in May 2009.

Section B: Accountants' report on the unaudited pro forma consolidated net assets statement



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5 June 2009

Dear Sirs

Debenhams plc (the “Company”)

We report on the pro forma statement of net assets (the “Pro forma financial information”) set out in Section A of Part 6 of the Company’s prospectus dated 5 June 2009 (the “Prospectus”) which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed firm placing and placing and open offer might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the unaudited interim financial information for the 26 week period ended 28 February 2009. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other

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person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 7

OPERATING AND FINANCIAL REVIEW

Unless otherwise stated, the historical financial information in this Part 7 is extracted from the audited consolidated financial statements contained in the Company's Annual Report and Accounts for the financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 (the "audited consolidated financial statements") and unaudited interim accounts for the 26 weeks ended 1 March 2008 and 28 February 2009 (the "unaudited interim accounts" and, together with the audited consolidated financial statements, the "Financial Information"). Each of the Group's audited consolidated financial statements and the unaudited interim accounts are incorporated by reference in this document as described in Part 9 ("Relevant Documentation and Documentation Incorporated by Reference") of this document.

You should read this Part 7 in conjunction with the Financial Information, the detailed Business Description in Part 4 and the other information incorporated by reference into this document and you should not rely solely on key and summarised information.

The Financial Information has been prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS").

Neither the Financial Information nor the other financial information presented in this document was prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") or audited in accordance with auditing standards generally accepted in the United States ("US GAAS"). No opinion or any other assurance with regard to any financial information was expressed under US GAAS.

Some of the information below, elsewhere in this document and incorporated by reference into this document includes forward looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary note regarding forward looking statements".

Overview

Debenhams is a leading multi-category retailer in the United Kingdom and Republic of Ireland with a strong presence in its key product categories of womenswear, menswear, homewares, health and beauty, accessories and childrenswear. Debenhams offers a unique and differentiated customer proposition through its mix of exclusive own label brands (including "Designers at Debenhams") and third party brands. Debenhams is the second largest department store chain in the United Kingdom and has been a long-term market share winner, increasing its department store market share from 12.0% in 1996 to 17.8% in the calendar year 2008 (source: Verdict UK Department Stores 2009).

Key definitional terms for the income statement

Gross transaction value

Gross transaction value represents revenue on a gross basis, including the gross revenue (excluding VAT) from concessions rather than just the portion of those concession revenues received as commission by the Group. The Directors believe that gross transaction value represents a guide to the value of the overall activity of the Group.

In Debenhams' stores, Debenhams primarily sells products that it purchases and usually holds in its inventory. Debenhams' own bought products include its own label brands and third-party brands. Sales of branded concession products on which Debenhams retains a pre-negotiated percentage of concession net margin, and for which Debenhams bears no stock-holding risk, are also included in Debenhams' own bought products.

Debenhams' gross transaction value consists primarily of:

- sales of merchandise in Debenhams' stores across the United Kingdom and the Republic of Ireland, which contributed 97.6% of Debenhams' gross transaction value in the 2008 financial year;
- sales of Debenhams' merchandise from Debenhams' international sales division, which contributed 2.4% of Debenhams' gross transaction value during the 2008 financial year and which, as of 28 February 2009, comprised 49 international franchise stores. Since 28 February 2009, Debenhams has opened an additional international franchise store in Dubai; and
- sales of merchandise from Debenhams' direct sales division through Debenhams' internet website, which contributed 1.8% to Debenhams' gross transaction value during the 2008 financial year.

Changes in Debenhams' gross transaction value from period to period are generally affected by the following factors:

- the prices at which Debenhams sells its merchandise, which are equal to the original price Debenhams seeks to obtain for its merchandise less any temporary promotional price reductions or clearance markdowns (together, referred to as "markdowns"), as more fully described in "Key definitions for non-IFRS financial measures – Gross merchandise margin" in this Part 7;
- the volume of merchandise sold, and changes in the mix of products sold within Debenhams' different product categories, both of which are influenced by the allocation of trading space across product categories;
- the mix of customer purchases across various price levels;
- the level and effectiveness of Debenhams' initiatives and promotions in advertising, marketing and customer loyalty;
- the opening of new stores and store modernisations and refurbishments. See "Factors affecting results of operations — Store openings and modernisations/refurbishments" in this Part 7;
- the quality and availability of its products;
- general economic and market conditions;
- the extent to which Debenhams accurately predicts, plans for and implements trends (including fashion trends);
- competition from Debenhams' retail competitors, which may impact sales of Debenhams' merchandise and its pricing policies; and
- seasonality and weather.

Revenue

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of staff discounts and the cost of loyalty scheme points, and is stated net of value added tax and other sales-related taxes. In addition to own bought sales, only the concession commission element of concessions gross transaction value (the "concession net margin") is included within revenue.

Changes in Debenhams' revenue from period to period are impacted by changes in Debenhams' mix of own bought and concession products sold, the amount of gross transaction value that Debenhams retains in connection with concession sales, the level of credit sales (including store card sales) and the Nectar Card loyalty programme including costs related to points awarded under that programme. Debenhams terminated its contract with LMUK, the Nectar service provider, in February 2008.

Like-for-like figures reflect sales for Debenhams' stores that have been trading for 53 weeks or longer.

Cost of sales

Cost of sales consists of direct merchandise costs (the cost of purchasing Debenhams' own bought merchandise from its international and domestic suppliers, including freight and delivery charges, taxes and foreign exchange gains or losses) and other direct costs of sales.

Changes in Debenhams' direct merchandise costs from period to period are affected by a number of factors, including:

- exchange rate fluctuations as a significant portion of Debenhams' own bought goods are priced in US dollars (US\$330.4 million in the 2008 financial year);
- the duties paid on purchases from non-EEC countries;
- changes in freight costs as a result of supply shortages or fluctuations in oil prices;
- the base price of fabric and raw materials, in addition to the costs of individual garment components;
- the level of tariffs imposed on Debenhams by regulatory authorities on exports from certain non-EEC countries;
- manufacturing costs (both labour and overhead costs);
- discount levels agreed with suppliers; and
- methods of purchase (either direct purchases from suppliers or through third parties).

Debenhams' other direct costs of sales primarily consist of the following:

- payroll for its store staff, including salaries, bonuses, social security and pension costs;
- establishment costs such as rent, amortisation of landlord and developer contributions received, rates, service charges and other operating costs at Debenhams' stores, including cleaning, maintenance, energy and sundry costs;
- depreciation expenses related to capital expended on its stores;
- various corporate overhead costs, including costs associated with its management, buying and merchandising, communications and marketing, advertising, food services, press office and market research and certain other information technology systems;
- the majority of non-distribution costs associated with operating its direct sales and international sales divisions; and
- all costs associated with providing Debenhams' store card.

Changes in Debenhams' other direct costs of sales from period to period are affected by a number of factors, including:

- the general level of payroll and benefit increases (or decreases) given to its store employees;
- rental increases (or decreases) agreed to as part of Debenhams' store lease agreements;
- the opening of new stores, including pre-opening costs, the related impact of amortisation of landlord and developer contributions received, and the modernisation of existing stores;
- changes in costs associated with Debenhams' direct sales and international sales divisions;
- the level of Debenhams' marketing and advertising costs, including costs associated with market research;
- costs relating to the volume of merchandise sold, including increases in transaction charges related to credit card usage; and
- changes in costs associated with providing Debenhams' store card.

Distribution costs

Distribution costs consist primarily of the costs of operating Debenhams' distribution centres and the costs associated with transporting merchandise from Debenhams' distribution centres to its stores and customers' homes. Most of these distribution costs are incurred pursuant to Debenhams' distribution contract with DHL Supply Chain, to whom Debenhams outsources the majority of its distribution functions.

Changes in Debenhams' distribution costs from period to period are affected primarily by the following factors:

- the terms and conditions of Debenhams' distribution contract with DHL Supply Chain and Parcelnet;
- the volume and weight of Debenhams' merchandise transported;
- the method of transport and distance over which Debenhams' merchandise is transported;
- the number of Debenhams' distribution centres and any opening or closing costs;
- the price of oil which impacts on transportation and distribution centre energy costs;
- the rental expense related to Debenhams' distribution centres;
- the general level of payroll and benefit increases given to DHL Supply Chain distribution staff; and
- the growth of Debenhams' direct sales division.

Administrative expenses

Administrative expenses consist primarily of the following:

- payroll for employees of selected head office departments, including salaries, bonuses, social security costs and pension expenses;
- various corporate overhead expenses associated with Debenhams' human resources, finance, information technology and facilities and secretarial departments;
- depreciation expenses related to Debenhams' head office and the amortisation of other intangible assets;
- depreciation and maintenance expenses related to information technology systems; and
- other head office facility expenses.

Changes in Debenhams' administrative expenses from period to period are affected primarily by:

- the general level of payroll and benefit increases given to selected head office employees;
- expenses related to new and revised information technology systems; and
- changes to Debenhams' head offices.

Key factors affecting the Company's financial results

The Company's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Implementation of Debenhams' business strategy

Following the IPO, Debenhams continued to open new department stores and Desire by Debenhams stores, in addition to seeking to drive organic growth through initiatives aimed at improving the performance of own bought and concessions. During the three financial years ended 30 August 2008, Debenhams opened 11 new department stores, seven new Desire by Debenhams stores and, through franchise arrangements, 26 international stores; re-sited four department stores; and refurbished 40 department stores. Included in these numbers are nine stores acquired from Roches Stores in the Republic of Ireland.

Debenhams is also focussed on improving the design, quality and value of its products, as well as visual merchandising and store standards. This has been against the background of a general slowdown in the economy and consumer spending in an increasingly competitive marketplace. In such economic conditions, gaining market share is a key factor in Debenhams' ability to maintain and grow its gross transaction value, revenues and gross profit.

Due to the increasingly difficult market conditions, and in response to concerns in the financial community over Debenhams' capital structure, commencing March 2008 Debenhams implemented a de-leveraging strategy designed to reduce debt levels by introducing a scrip dividend; reducing options, stock density, costs and capital expenditure; and putting the modernisation programme on hold. The actions outlined as part of this strategy have been implemented.

Store openings and modernisations/refurbishments

New store openings and store modernisations/refurbishments can have a significant impact on Debenhams' gross transaction value and, consequently, Debenhams' gross merchandise margin, EBITDA and cash flow. The gross transaction value generated by Debenhams' new and modernised stores has typically grown at a faster like-for-like rate after opening or completion of modernisation than the gross transaction value generated by Debenhams' other stores. Furthermore, the Directors believe that new stores may continue to grow at a faster rate beyond the years immediately following their opening.

Between 1 September 2008 and 28 February 2009, Debenhams opened four new stores. No stores were refurbished during this period, due to a desire to avoid the inevitable disruption to sales while stores were undergoing refurbishment and to reduce capital spend.

The return on investment (calculated as EBITDA/net store capital investment) for new department stores between the 2006 financial year and the 2008 financial year, new Desire by Debenhams stores and refurbished stores was 56.0%, 25.0% and 20.0%, respectively.

Debenhams has completed the following store openings and modernisations/refurbishments during the last three financial years:

	26 weeks ended			
	28 February 2009⁽¹⁾	2008 Financial Year⁽²⁾	2007 Financial Year⁽²⁾	2006 Financial Year
New department store openings	4	10	12	5
Store modernisations ⁽³⁾	0	19	9	12
Desire by Debenhams openings	0	1	5	3

(1) Since 28 February 2009, Debenhams has opened one new department store.

(2) New Stores include three re-sited department stores in the 2008 financial year and one in the 2007 financial year.

(3) Refurbishments and modernisations have been classified as occurring in the financial year the refurbishment or modernisation is completed.

Debenhams has contractually committed (including conditional contracts) to open 16 new department stores and Desire by Debenhams stores (including one re-site of a department store) by the end of the 2013 financial year. Debenhams store modernisation/refurbishment focuses on releasing additional space in its stores for own bought products, improving the flexibility of its trading space so that Debenhams can devote additional space to more profitable product categories and making improvements to signage and in-store environments.

Roches department store acquisition

On 12 September 2006, Debenhams acquired from Roches Stores nine department stores in the Republic of Ireland for Euro 29 million, payable in three stages over two years. A further payment was made for the stock in the stores. This also resulted in a reorganisation of Debenhams' store portfolio in the Republic of Ireland, with the closure of the existing Debenhams Jervis Street store in Dublin which was located near one of the acquired stores. The reorganisation costs of £14.3 million were regarded as exceptional in the 2007 financial year, consisting of accelerated depreciation and provisions for dilapidations, store closure, redundancies, changes to staff terms and conditions and legal fees.

Direct investment

In November 2006, Debenhams completed an upgrade to its internet website which enabled the site to take significantly more sales by improving the site's marketing capability and capacity. This investment required significant capital expenditure but enabled Debenhams' internet sales to grow by 31.7% in the 2007 financial year and 60.8% in the 2008 financial year.

International

The international operations continue to be an important part of Debenhams' business, particularly as revenue from Debenhams' international operations is at no substantial cost to Debenhams, and thus directly benefits operating profit. Between the start of the 2006 financial year and the end of the 26 week period to 28 February 2009, 34 new international stores were opened through franchise arrangements.

In addition, Debenhams expects to have approximately 100 international franchise stores by the end of the 2013 financial year. Debenhams is currently expected to increase its global presence by expanding into a number of additional countries.

Sales mix

During the last three and a half years ending 28 February 2009, own bought product sales have accounted for a greater share of Debenhams' total gross transaction value sales. This has been driven primarily by the strategy to increase own bought space, the acquisition of nine Roches stores (which initially had a higher participation of concessions than they do now) and, more recently, the relatively weaker performance of concession brands. Sales mix affects the financial results because own bought sales generate a higher net margin percentage than concessions, although this margin advantage is partially offset by lower sales densities, higher operating costs and stock investments costs.

Foreign exchange rates

US dollar and, to a lesser extent, euro exchange rates have an impact on overall financial performance. A significant proportion of own bought product is sourced from overseas and paid for primarily in US dollars but also in euro.

As a result, movements in exchange rates can affect Debenhams' financial performance. In the 2008 financial year US\$330.4 million and €26.5 million was paid to suppliers to acquire own bought merchandise. A 10% strengthening or weakening in the US dollar to pound sterling can increase or decrease direct merchandise cost by approximately £20 million per year. To avoid sudden increases and decreases in the cost of US dollar sourced merchandise, Debenhams has a foreign currency hedging strategy and progressively purchases forward US dollars using forward contracts to offset future purchase commitments. This has the effect of delaying a significant proportion of the impact of exchange rate movements on the profit and loss account and smoothing fluctuations over an 18 month period. In this manner, Debenhams has substantially hedged its US dollar risk for the 2009 financial year and partially hedged its risk for the 2010 financial year.

As demonstrated above, euro denominated purchases of goods for resale is significantly less than the currency exposure as a result of US dollar denominated purchases. This exposure is not routinely hedged as a natural hedge exists due to surplus euro from operations within the Republic of Ireland where revenues and the vast majority of overhead and establishment costs are euro denominated.

Debenhams' Treasury policy is not to hedge translation exposure from the profits, assets and liabilities of non-sterling business whilst they remain immaterial. However, given the volatility of the sterling versus euro exchange rate during the final quarter of 2008 (a fall of approximately 20% in the value of sterling) board approval was given in February 2009 to hedge the euro translation exposure arising from the sale of goods from the UK company to its Irish subsidiary. This was subsequently achieved using a non-deliverable forward contract to hedge a principal amount of £35 million, a significant proportion of the forecast exposure in the profit and loss account to movements in the sterling versus euro exchange rate that this periodic re-translation creates.

Cost saving programmes

Certain costs, including distribution costs and credit card servicing fees, are variable between periods based directly on sales volume. In addition, Debenhams actively manages other operating costs, and has taken significant steps over the last several years in re-engineering the cost base, to drive significantly higher store, warehouse and head office productivity. Due to the economic environment, Debenhams' management has sought further to improve store, warehouse and head office productivity. This has helped mitigate the profit impact of declining like-for-like sales in recent years.

Inflation

Inflation generally affects Debenhams by increasing the cost of its payroll, direct merchandise and the goods and services that Debenhams purchases that are not for resale. The general rate of inflation in the United Kingdom has been increasing in recent years through to the end of the 2008 financial year, although most of these increases have been offset by cost savings. The Directors do not believe that inflation, with the exception of energy inflation, has had any material effect on Debenhams' results of operations in the financial periods reviewed in this Part 7.

In the 2008 financial year, global inflationary pressures increased with Chinese labour and materials such as cotton and wool pricing increasing year on year. More recently, these trends have reversed as the global recession has impacted on businesses, leading to spare capacity and supply increasing compared with demand.

Energy

Energy costs increased significantly during the three financial years ended 30 August 2008, due to an increase in oil prices and gas and electricity supply concerns affecting the UK market. On 30 September 2006, Debenhams' two-year fixed-rate electricity contract came to an end. A new two-year contract was entered into in May 2006 for the supply of electricity to all Debenhams stores and head office buildings from 1 October 2006 to 30 September 2008, respectively. The like-for-like cost of electricity increased as a result of this by £5.7 million or 37.9% in the 2007 financial year, and £5.5 million or 36.6% in the 2008 financial year in each case, over and above the 2006 financial year. During this time gas prices and petrol prices excluding duty also increased by approximately 68% and 34%, respectively.

Debenhams spent £16.7 million on electricity, £1.0 million on gas and £0.2 million on petrol in the 2006 financial year.

Effective from 1 October 2008, Debenhams' Board approved an Energy Risk Policy. The policy is designed to create a risk management framework around energy risk which ensures exposures are managed within pre-defined risk tolerances. It applies to all Debenhams' sites within the UK and Ireland for electricity and gas purchases, defining clear boundaries from which employees of Debenhams can execute multiple purchases of energy while managing an exposure to market price movement, controlling the financial purchasing limits, forward cover position, reporting mechanisms and processes. Under a flexible agreement signed with Scottish Power to supply power to all UK mainland sites, recent peaks in electricity prices have been avoided, enabling Debenhams to reduce future electricity costs.

Variations in results, seasonality and weather

Debenhams' business is subject to seasonal variations. Of the two 26 week periods in the 2008 financial year, Debenhams generated 55.8% of its full year gross transaction value in the first and 44.2% in the second. Debenhams' most important trading period in terms of gross transaction value, revenue, EBITDA and cash flow is the Christmas season, with approximately one-third (35.0% in the 2008 financial year) of its gross transaction value for a full financial year generated between the beginning of November and the end of January. In previous years, Debenhams' investment in working capital has peaked in early October. In addition to the Christmas season, and of less importance, sales also peak in May and November as a result of promotional events and seasonal factors.

Debenhams' results can also be affected by periods of abnormal, severe or unseasonal weather conditions and major events such as terrorist action and global sporting events. Examples which have adversely impacted sales include the recent snowfall in the UK in early February 2009 and the London bombings in the summer of 2007.

Current trading and prospects

The Company announced its interim results for the 26 week period ended 28 February 2009 on 23 April 2009 and these results are incorporated by reference into Part 9 of this document.

The Company released an interim management statement for the 12 weeks to 23 May 2009 on 4 June 2009. For this 12 week period, gross transaction value was 3.0% higher than the same period last year. Like-for-like sales were 0.8% lower than last year (excluding VAT).

Debenhams has continued to gain total fashion market share* as customers find favour with its ongoing strategy of increasing the quality and value of its products (*source: TNS Worldpanel Fashion 26 weeks market share data to 26 April 2009 versus 2008).

The Directors' focus in running the business has continued to be on the levers which drive cash margin. The improvements made over the past 18 months to the design, quality and value of own bought product ranges – particularly “Designers at Debenhams” – have led to continued good performance in these areas, resulting in a 90 basis point gross margin gain for the 12 weeks compared with the same period last year. This, alongside the ongoing disciplined management of costs, stocks and the balance sheet, has contributed to profit before tax and EBITDA for the 12 weeks to 23 May 2009 both being ahead of the prior year. Although the outlook for consumer confidence for the remainder of the 2009 financial year is uncertain, given the performance of the business so far this year, at this time the Directors remain confident in the Company's trading strategy and the outturn for the full year.

Results of operations

The following discussion and analysis of Debenhams' results of operations and financial condition is based on Debenhams' historical results. Financial information for the 2006, 2007 and 2008 financial years has been prepared in accordance with IFRS. In addition, Debenhams has prepared unaudited financial information for the 26 week periods ended 1 March 2008 and 28 February 2009 in accordance with IFRS.

The following table sets out certain financial information relating to the Group's profit and loss account, as extracted, unless otherwise stated, without material adjustment from the unaudited interim accounts prepared under IFRS:

Consolidated profit and loss account

	26 weeks ended 28 February 2009 (unaudited)	26 weeks ended 1 March 2008 (unaudited)	% Change
(£ in millions, except as otherwise indicated)			
Gross transaction value⁽¹⁾⁽²⁾	1,307.2	1,303.6	0.3%
Revenue	1,064.8	1,029.3	3.5%
Cost of sales	(886.0)	(854.5)	3.7%
Gross profit	178.8	174.8	2.3%
Distribution costs	(24.9)	(26.9)	(7.4%)
Administrative expenses	(19.2)	(20.4)	(5.9%)
Operating profit	134.7	127.5	5.7%
Interest receivable and similar income	0.6	2.6	(76.9%)
Interest payable and similar charges	(33.1)	(38.1)	(13.1%)
Profit before taxation	102.2	92.0	11.1%
Taxation	(21.0)	(26.9)	(21.9%)
Profit for the financial period attributable to equity shareholders	81.2	65.1	24.7%

(1) Gross transaction value presents revenue on a gross basis, including the gross revenue (excluding VAT) from concessions rather than just the portion of those concession revenues received as commission by the Group. The Directors believe that gross transaction value represents a guide to the value of the overall activity of the Group. Gross transaction value is a non-IFRS measure.

(2) See Note 3 to the financial information for the 26 week periods ended 28 February 2009 and 1 March 2008 for information on gross transaction value on a memorandum basis.

26 WEEK PERIOD ENDED 28 FEBRUARY 2009 COMPARED TO 26 WEEK PERIOD ENDED 1 MARCH 2008

Gross transaction value

Gross transaction value increased by £3.6 million, or 0.3%, from £1,303.6 million for the 26 week period ended 1 March 2008 to £1,307.2 million for the 26 week period ended 28 February 2009. This increase resulted primarily from new store openings since 2 March 2008 (eight department stores, one re-sited department store and 11 international stores) and strong sales growth in internet sales, partly offset by a decline in like-for-like sales of 3.6% (excluding VAT during the period under review).

The rate of like-for-like sales decline accelerated from a decline of 0.7% in the 26 week period ended 1 March 2008 (compared with the 26 week period ended 3 March 2007), to a decline of 3.6% (excluding VAT) in the 26 week period ended 28 February 2009 (compared with the 26 week period ended 1 March 2008), due to reduced footfall and consumer spending in the UK, resulting from declining consumer confidence which was exacerbated by the turmoil in the financial markets. The heavy snowfall in early February 2009 also contributed to this decline.

The Debenhams Direct (internet) division contributed positively to like-for-like sales and internet sales grew in the 26 weeks ended 28 February 2009 by £6.2 million or 29.7% (compared with the 26 week period ended 1 March 2008).

During the period under review, despite the decrease in like-for-like sales, Debenhams' market share continued to improve across all clothing categories, except womenswear which was impacted by poor concession performance (source: TNS Worldpanel Fashion 26 weeks market share data to 1 March 2009 versus 2008). The Directors believe that the decline of 3.6% in like-for-like sales by Debenhams in the period under review compares favourably against a number of its key competitors over the same period.

Own bought products continued to outperform concessions during the period under review, with the sales of own bought ranges increasing by 4.4% whilst concessions declined by 11.8%. The strongest performing categories in the business during the 26 weeks ended 28 February 2009 were the "Designers at Debenhams" ranges, where sales increased by 10.7% (compared with the 26 week period ended 1 March 2008), which the Directors attribute to the desire by customers for quality, longevity and versatility. Within own bought the best performing categories were menswear, childrenswear, health and beauty and accessories, whilst womenswear, lingerie and homewares were impacted to a greater extent by the difficult market conditions.

Concession brands had a difficult trading season during the period under review. A number went into administration during the 26 weeks ended 28 February 2009, although the largest of these have since been the subject of rescue action and continue to trade. The underperformance of several concessions was in part due to poor product ranges, as well as the general economic malaise and a reduction in space allocated to concession merchandise as part of Debenhams' strategy to increase own bought sales mix.

Revenue

Revenue increased by £35.5 million, or 3.5%, from £1,029.3 million in the 26 week period ended 1 March 2008 to £1,064.8 million in the 26 week period ended 28 February 2009. This increase was primarily due to the growth generated by eight new department store openings since 2 March 2008, one re-sited store and 11 international store openings, the growth of internet sales and an increase in sales mix of own bought products (which increased to 75.6% of sales in the 26 week period ended 28 February 2009 from 72.2% of sales in the 26 week period ended 1 March 2008), partly offset by the 3.6% (excluding VAT) decline in like-for-like sales during the period under review.

Cost of sales

Cost of sales increased by £31.5 million, or 3.7%, from £854.5 million in the 26 week period ended 1 March 2008 to £886.0 million in the 26 week period ended 28 February 2009. This increase was primarily due to the eight new department store openings since 2 March 2008 and the growth in direct business, partly offset by the cost-saving programme implemented in head office and stores.

Cost of sales as a percentage of gross transaction value increased from 65.5% in the 26 week period ended 1 March 2008 to 67.8% in the 26 week period ended 28 February 2009, primarily due to the increased costs associated with new store openings, but partly offset by low payroll inflation resulting from a pay freeze implemented by Debenhams at the start of the 2009 financial year coupled with other cost savings. Cost savings were implemented in May and November 2008. These cost savings resulted in less investment in marketing, visual merchandising and retail and head office staffing in the 26 week period ended 28 February 2009.

Distribution costs

Distribution costs decreased by £2.0 million, or 7.4%, from £26.9 million in the 26 week period ended 1 March 2008 to £24.9 million in the 26 week period ended 28 February 2009. Distribution costs as a percentage of gross transaction value decreased slightly from 2.1% in the 26 week period ended 1 March 2008 to 1.9% in the 26 week period ended 28 February 2009. The decrease in distribution costs was primarily due to lower logistics costs to service department stores as a result of the cost saving and stock tightening programmes, partly offset by an increase in servicing the eight new department stores opened since 2 March 2008 and in higher volume of internet sales.

Administrative expenses

Administrative expenses decreased by £1.2 million, or 5.9%, from £20.4 million in the 26 week period ended 1 March 2008 to £19.2 million in the 26 week period ended 28 February 2009. The decrease in administrative expenses was primarily due to cost savings initiatives in the finance, human resources and systems departments, as well as bonus savings. Administrative expenses as a percentage of gross transaction value decreased from 1.6% in the 26 week period ended 1 March 2008 to 1.5% in the 26 week period ended 28 February 2009.

Operating profit

Operating profit increased by £7.2 million, or 5.7%, from £127.5 million in the 26 week period ended 1 March 2008 to £134.7 million in the 26 week period ended 28 February 2009. This increase is primarily attributable to the profit impact of the like-for-like sales decline being more than offset by the new stores and internet profit growth, plus the cost savings resulting from the cost-saving programme implemented late in the 2007 financial year through to early in the 2008 financial year.

Interest payable and similar charges

Interest payable and similar charges decreased by £5.0 million, or 13.1%, from £38.1 million in the 26 week period ended 1 March 2008 to £33.1 million in the 26 week period ended 28 February 2009. This decrease is primarily due to lower net debt levels and a reduction in the effective interest rate following the Bank of England's decision to reduce base rates, and to a reduction in finance lease interest following the sale of the old store in Derby which has been replaced by a new store in the Westfield Derby development.

Taxation

Debenhams' taxation decreased from a charge of £26.9 million in the 26 week period ended 1 March 2008 to a charge of £21.0 million in the 26 week period ended 28 February 2009. This decrease was due to the release of a prior year provision.

Profit for the financial period attributable to equity shareholders

Profit for the financial period attributable to equity shareholders increased from £65.1 million in the 26 week period ended 1 March 2008 to £81.2 million in the 26 week period ended 28 February 2009, which is attributable to the items mentioned above.

THREE FINANCIAL YEARS ENDED 30 AUGUST 2008

The following table sets out certain financial information relating to the Group's profit and loss account, as extracted without material adjustment from the audited consolidated financial information of the Group incorporated by reference into this document (see Part 9 ("Relevant Documentation and Documentation Incorporated by Reference")), which has been prepared in accordance with IFRS.

Consolidated profit and loss account

	52 weeks ended 30 August 2008	% change from 2007 financial year to 2008 financial year	52 weeks ended 1 September 2007	% change from 2006 financial year to 2007 financial year	52 weeks ended 2 September 2006
(£ in millions, except as otherwise indicated)					
Gross Transaction Value	2,336.0	1.3%	2,305.6	5.1%	2,192.9
Revenue	1,839.2	3.7%	1,774.4	3.9%	1,707.7
Cost of sales	(1,571.6)	4.2%	(1,508.4)	9.6%	(1,376.3)
Analysed as:					
Cost of sales before exceptional items	(1,571.6)	5.1%	(1,494.9)	8.6%	(1,376.3)
Exceptional cost of sales	—	(100.0%)	(13.5)	100.0%	—
Gross profit	267.6	0.6%	266.0	(19.7%)	331.4
Distribution costs	(50.0)	6.4%	(47.0)	(11.3%)	(53.0)
Analysed as:					
Distribution costs before exceptional items	(50.0)	8.2%	(46.2)	(12.8%)	(53.0)
Exceptional distribution costs	—	(100.0%)	(0.8)	100.0%	—
Administrative expenses	(41.5)	5.9%	(39.2)	(28.5%)	(54.8)
Analysed as:					
Administrative expenses before exceptional costs	(41.5)	5.9%	(39.2)	(2.5%)	(40.2)
Exceptional administrative costs	—	—	—	(100.0%)	(14.6)
Operating profit	176.1	(2.1%)	179.8	(19.6%)	223.6
Analysed as:					
Operating Profit before exceptional items	176.1	(9.3%)	194.1	(18.5%)	238.2
Exceptional operating items	—	(100.0%)	(14.3)	(2.1%)	(14.6)
Profit before interest	176.1	(2.1%)	179.8	(19.6%)	223.6
Interest payable and similar charges	(75.0)	5.9%	(70.8)	(58.1%)	(168.8)
Analysed as:					
Interest payable and similar charges before exceptional items	(75.0)	5.9%	(70.8)	(46.7%)	(132.7)
Exceptional interest payable and similar charges	—	—	—	(100.0%)	(36.1)
Interest receivable and similar income	4.8	14.3%	4.2	(42.5%)	7.3
Profit before taxation	105.9	(6.5%)	113.2	82.3%	62.1
Taxation	(28.8)	(15.8%)	(34.2)	85.9%	(18.4)
Analysed as:					
Taxation before exceptional items	(28.8)	(22.0%)	(36.9)	12.8%	(32.7)
Taxation on exceptional items	—	(100.0%)	2.7	(81.1%)	14.3
Profit for the financial period attributable to equity shareholders	77.1	(2.4%)	79.0	80.9%	43.7
Earnings per share (pence)	9.0	(3.2%)	9.3	25.7%	7.4
Basic and diluted (pence)	9.0	(3.2%)	9.3	25.7%	7.4

2008 FINANCIAL YEAR COMPARED TO 2007 FINANCIAL YEAR

Gross transaction value

Gross transaction value increased by £30.4 million, or 1.3%, from £2,305.6 million for the 2007 financial year to £2,336.0 million for the 2008 financial year. The increase resulted primarily from the opening of new stores (including six new and three re-sited department stores and one new Desire store) in the 2008 financial year, and the positive impact of refurbishing 19 stores during the period. The increase was partly offset by a 0.9% decline in like-for-like sales (compared with the 2007 financial year), which in itself was an improvement in the 5.0% decline in like-for-like sales recorded in the 2007 financial year (compared with the 2007 financial year). The Directors believe that improvements in the design, quality and value of Debenhams' own label product ranges alongside a realignment of its price architecture to improve competitiveness contributed to the improved like-for-like sales performance, as well as improvements made to merchandising standards which improved the in-store shopping experience for customers. This strategy proved successful with Debenhams' customers as evidenced by total fashion market shares gains (source: TNS Worldpanel Fashion market share data) throughout financial year 2008 despite declining consumer confidence in the wake of global economic uncertainty.

Own bought products performed better than concessions during financial year 2008 in terms of year-on-year sales growth. Within own bought, own label (including "Designers at Debenhams") performed ahead of international brands. Concession brands underperformed own bought, partly due to the relative improvement in own bought products and the reduced allocation of space to concessions within Debenhams' stores. During the 2008 financial year, own bought space increased from 75.6% of 10.3 million total square feet of space at the start of the financial year to 77.6% by the end. A large proportion of this increase was due to new stores opening with 85% to 90% of their space allocated to own bought ranges.

International sales increased by 8.7% during the period under review, adding 0.2% to the Group's gross transaction value improvement compared to the previous financial year, and internet sales increased by 60.8%, which added 0.7% to the Group's gross transaction value improvement in the 2008 financial year compared with the 2007 financial year. The strong internet growth is in part due to the full year benefit in 2008 of the £5.3 million investment Debenhams made upgrading the capacity of its internet site in November 2006.

Revenue

Revenue increased by £64.8 million, or 3.7%, from £1,774.4 million in the 2007 financial year to £1,839.2 million in the 2008 financial year. This increase was primarily due to new store openings, the improved performance of refurbished stores and improvements in international and internet sales, offset partially by a small decrease in like-for-like sales. Another contributing factor to revenue growth was the improved own bought sales mix versus concessions of 2.2% (compared with the 2007 financial year). As stated above, revenue includes total own bought sales but only the concession net margin Debenhams retains on concession sales. Therefore, any reduction in the concessions mix year-on-year will result in a corresponding increase in revenue. Transaction charges relating to the Nectar loyalty scheme also decreased in the 2008 financial year, following Debenhams' withdrawal from that scheme in February 2008.

Cost of sales

Cost of sales before exceptional costs increased by £76.7 million, or 5.1%, from £1,494.9 million in the 2007 financial year to £1,571.6 million in the 2008 financial year. The increase in cost of sales was primarily due to the increase in own bought mix of sales and the six new department store openings, three re-sited new stores and one new Desire by Debenhams store opening since 2 September 2007, which added new costs during the 2008 financial year, and full year equivalent costs for stores opened during the previous financial year. Other contributory factors relevant to the period under review within retail costs were general inflation impacting on salary, rent, rates, service charges and insurance across all stores. Central costs allocated to cost of sales decreased in the 2008 financial year as compared to the 2007 financial year, mainly due to reduced marketing spend and the elimination of cost previously provided for share schemes which had failed to achieve target.

Cost of sales before exceptional costs as a percentage of gross transaction value increased from 64.8% in the 2007 financial year to 67.3% in the 2008 financial year. This increase was driven by gross transaction value growing at 1.3%, which was a slower rate than the 5.1% increase in the cost of sales before exceptional items. A large proportion of this percentage increase was driven by an increase in own bought sales in the 2008 financial year of 5.3% (compared with the 2007 financial year), while concession sales fell by 6.1% (compared with the 2007 financial year). Own bought sales have a direct impact on the cost of sales while concession sales do not.

Exceptional cost of sales decreased from £13.5 million in the 2007 financial year to zero in the 2008 financial year. Exceptional cost of sales in the 2007 financial year consisted of costs related to the Group's reorganisation following the acquisition of nine stores in the Republic of Ireland from Roches Stores on 12 September 2006.

Distribution costs

Actual distribution costs increased by £3.8 million, or 8.2%, from £46.2 million in the 2007 financial year to £50.0 million in the 2008 financial year. The increase was due to higher volume-related distribution costs for Republic of Ireland and the internet and a reduction in one-off provision releases which had occurred in the 2007 financial year, partly offset by a reduction in the Peterborough distribution centre rent. Distribution costs before exceptional items as a percentage of gross transaction value increased from 2.0% in the 2007 financial year to 2.1% in the 2008 financial year.

Exceptional distribution cost was zero in the 2008 financial year compared with £0.8 million in the 2007 financial year. Exceptional distribution cost in the 2007 financial year consisted of distribution costs related to the Group's reorganisation following the acquisition of the nine Roches stores in the Republic of Ireland.

Administrative expenses

Administrative expenses increased by £2.3 million, or 5.9%, from £39.2 million in the 2007 financial year to £41.5 million in the 2008 financial year, primarily due to increased restructuring costs, bonus costs and head office rent, partly offset by cost savings associated with moving all human resources administration from London to Debenhams' service centre in Taunton.

Operating profit

Operating profit before exceptional items decreased by £18.0 million, or 9.3%, from £194.1 million in the 2007 financial year to £176.1 million in the 2008 financial year. Operating profit before exceptional items as a percentage of gross transaction value decreased from 8.4% in the 2007 financial year to 7.5% in the 2008 financial year. This decrease in the 2008 financial year was primarily due to like-for-like sales falling by 0.9%, gross margin being flat year-on-year and costs increasing due to new stores and inflationary pressures.

Operating profit after exceptional costs decreased by £3.7 million, or 2.1%, from £179.8 million in the 2007 financial year to £176.1 million in the 2008 financial year. As stated above, operating profit in the 2007 financial year was impacted by the exceptional cost of sales and exceptional distribution costs totalling £14.3 million related to the reorganisation following the acquisition of nine Roches stores in the Republic of Ireland on 12 September 2006.

Interest payable and similar charges and interest receivable and similar income

Interest payable increased by £4.2 million in the 2007 financial year, or 5.9%, from £70.8 million in the 2007 financial year to £75.0 million in the 2008 financial year, primarily due to increased interest costs for the term loan and revolving credit facility, as well as charges relating to the ineffectiveness, as defined in IFRS, of cash flow hedges.

Interest receivable and similar income increased from £4.2 million in the 2007 financial year to £4.8 million in the 2008 financial year, primarily due to higher interest rates on larger cash deposits than in the 2007 financial year.

Profit before taxation

Profit on ordinary activities before taxation and exceptionals decreased by £21.6 million, from £127.5 million in the 2007 financial year to £105.9 million in the 2008 financial year. This decrease was primarily due to like-for-like sales falling 0.9%, gross margin being flat year on year, costs increasing due to new stores and inflationary pressures and higher interest charges (in each case compared with the 2007 financial year).

Profit on ordinary activities before taxation but after exceptional costs decreased by £7.3 million from £113.2 million in the 2007 financial year to £105.9 million in the 2008 financial year.

Taxation

Debenhams' tax charge decreased by £5.4 million, or 15.8%, from a tax charge of £34.2 million in the 2007 financial year to a tax charge of £28.8 million in the 2008 financial year, primarily due to lower taxable profits and a reduction in the rate of corporation tax levied in the 2008 financial year.

2007 FINANCIAL YEAR COMPARED TO 2006 FINANCIAL YEAR

Gross transaction value

Gross transaction value increased by £112.7 million, or 5.1%, from £2,192.9 million in the 2006 financial year to £2,305.6 million in the 2007 financial year. This increase resulted primarily from increases in gross transaction value driven by the Roches acquisition, new department and Desire store openings, the modernisation programme and international and internet growth, partly offset by a decline in like-for-like sales.

The acquisition of nine Roches stores in September 2006 contributed a 7.0% increase in gross transaction value due to sales growth from the Republic of Ireland. Other contributing factors were the opening of three new department stores (including one re-site), the opening of five new Desire by Debenhams stores, the refurbishment of 12 stores since 3 September 2006 and strong increases in both internet and international sales. These factors were in part offset by a decline in like-for-like sales of 5.0% during the 2007 financial year (compared with the 2006 financial year), as a result of weaker clothing sales due to range issues, particularly in menswear and womenswear, stock availability issues and uncompetitive entry price point positioning in the menswear, womenswear and childrenswear product categories. At the same time, Debenhams' main competitor, Marks & Spencer, was aggressively reducing prices and investing heavily in marketing.

To address the weak sales trend, in the early part of the 2007 financial year Debenhams' management took action to improve its product offering by investing in better product design, quality and value and in-store visual merchandising. Action was also taken on price realignment, a new marketing campaign was launched and the store refurbishment programme was accelerated. This action was successful and sales performance improved in the last quarter of the 2007 financial year and subsequently in the 2008 financial year.

Concessions' gross transaction value growth was stronger than own bought performance in the 2007 financial year, partly due to the issues giving rise to the poor own bought sales performance referred to above and partly due to a higher mix of concessions in the nine Roches stores Debenhams acquired early in the 2007 financial year. Consequently, own bought sales mix decreased from 70.8% in the 2006 financial year to 69.6% in the 2007 financial year.

The strongest performances in own bought categories during the period under review came from men's and women's accessories, health and beauty, furniture, food services and lingerie. Childrenswear own bought showed a small increase during the financial year but womenswear, menswear and homewares sales were disappointing.

International and internet sales were strong during the 2007 financial year (compared with the 2006 financial year). Four new international stores were opened. Internet sales growth was largely driven by the £5.3 million investment in the website which was completed in November 2006 and significantly increased capacity levels.

The store refurbishment programme also proved a success, creating an easier-to-shop environment, improved customer perception and increased sales.

Revenue

Revenue increased by £66.7 million, or 3.9%, from £1,707.7 million in the 2006 financial year to £1,774.4 million in the 2007 financial year. This increase is primarily due to the reasons given above for the increase in gross transaction value, although revenue increased at a slower rate than gross transaction value due to concession sales being strong in the 2007 financial year (compared with the 2006 financial year). While all concession sales are included in gross transaction value, only concessions margin growth is included in revenue.

Cost of sales

Cost of sales before exceptional items increased by £118.6 million or 8.6% from £1,376.3 million in the 2006 financial year to £1,494.9 million in the 2007 financial year

The major contributor to the high growth in cost of sales was retail costs, which increased significantly due to several factors. Like-for-like energy costs increased by approximately 37.9% due to a two-year fixed-rate energy contract coming to an end in October 2006. Additional costs were incurred following the acquisition of the nine Roches stores in September 2006, while three new department stores and five Desire by Debenhams stores opened in the 2007 financial year, and full year equivalent costs for stores opened during the previous financial year were incurred. A higher level of rate rebates in the 2006 financial year also led to an increase in the cost of sales. Central cost of sales increases in marketing, buying and merchandising and the internet division were offset by cost decreases associated with pensions and lower share scheme costs, due to the vesting of the share option scheme associated with Debenhams' re-listing on the London Stock Exchange in May 2006.

Cost of sales before exceptional items as a percentage of gross transaction value increased from 62.8% in the 2006 financial year to 64.8% in the 2007 financial year, primarily due to cost of sales increasing by 8.6% while gross transaction value only grew by 5.1%.

Exceptional cost of sales in the 2007 financial year, totalling £13.5 million, consisted of costs related to the Group's reorganisation following the acquisition of nine Roches stores in the Republic of Ireland on 12 September 2006. No exceptional cost of sales expenses were incurred in the 2006 financial year.

Distribution costs

Distribution costs before exceptional items decreased by £6.8 million or 12.8%, from £53.0 million for the 2006 financial year to £46.2 million for the 2007 financial year. Distribution costs before exceptional items as a percentage of gross transaction value also decreased from 2.4% in the 2006 financial year to 2.0% in the 2007 financial year. The reduction in distribution costs was primarily due to the distribution centre reorganisation, which involved closing two distribution centres in Bedford and Daventry and opening a larger facility in Peterborough during the 2006 financial year. Consequently, during the 2006 financial year, Debenhams' distribution costs included large one-off running costs and closure costs. In the 2007 financial year, efficiency benefits were realised as a result of having fewer distribution centres.

Exceptional distribution costs of £0.8 million in the 2007 financial year consisted of costs related to the Group's reorganisation following the acquisition of the Roches stores in the Republic of Ireland. No exceptional distribution costs were incurred in the 2006 financial year.

Administrative expenses

Administrative expenses before exceptional costs decreased by £1.0 million, or 2.5%, from £40.2 million for the 2006 financial year to £39.2 million for the 2007 financial year. The decrease in administrative expenses before exceptional costs was attributable to reductions in finance headcount, systems depreciation savings and lower share scheme costs due to the vesting of the scheme associated with Debenhams' re-listing on the London Stock Exchange in May 2006, offset by a reduction in IFRS pensions income.

Exceptional administrative costs were incurred in the 2006 financial year, totalling £14.6 million, related to the re-listing of Debenhams on the London Stock Exchange in May 2006.

No exceptional administrative costs were incurred in the 2007 financial year.

Operating profit

Operating profit before exceptional items decreased by £44.1 million, or 18.5%, from £238.2 million for the 2006 financial year to £194.1 million for the 2007 financial year. Operating profit before exceptional items as a percentage of gross transaction value decreased from 10.9% during the 2006 financial year to 8.4% during the 2007 financial year.

This decrease in the 2007 financial year was primarily due to like-for-like sales falling by 5.0%, a gross margin decrease of 93 basis points compared with the 2006 financial year, and cost increases due to new store openings, the stores acquired from Roches, energy costs and general inflation. The gross margin rate decrease arose from Debenhams' repricing activity, a higher concessions mix and extra markdowns undertaken to clear stock, which offset intake margin gains.

Operating profit after exceptional items decreased by £43.8 million, or 19.6%, from £223.6 million for the 2006 financial year to £179.8 million for the 2007 financial year. This decrease is similar to the operating profit decrease before exceptional items, as a similar level of exceptional costs was incurred in each financial year. In 2006, £14.6 million of administrative exceptional costs were incurred associated with the re-listing of Debenhams on the London Stock Exchange, and in the 2007 financial year, £14.3 million of exceptional costs were incurred associated with the reorganisation following the acquisition of nine Roches stores in the Republic of Ireland.

Interest payable and other finance income

Interest payable before exceptional interest costs decreased by £61.9 million, from £132.7 million for the 2006 financial year to £70.8 million for the 2007 financial year. This decrease was attributable primarily to Debenhams' higher net debt level in the 2006 financial year prior to the re-listing of Debenhams on the London Stock Exchange and refinancing in May 2006.

Exceptional interest payable costs of £36.1 million were incurred in the 2006 financial year due to the refinancing of the Company's debt on 30 May 2005. No exceptional interest costs were incurred in the 2007 financial year.

Other finance income decreased from £7.3 million in the 2006 financial year to £4.2 million in the 2007 financial year, primarily due to higher average balances of cash held on deposit prior to the refinancing of the Company's debt on 30 May 2006.

Profit before taxation

Profit before taxation increased by £51.1 million, from £62.1 million in the 2006 financial year to £113.2 million in the 2007 financial year. This increase was primarily due to a decrease of £44.1 million in operating profits before exceptional costs in the 2007 financial year, and a fall of £58.8 million in net interest before exceptional interest in 2007, partly offset by a higher level of exceptional costs in the 2006 financial year over those incurred in 2007.

Taxation

Taxation before exceptional items increased by £4.2 million, or 12.8%, from a tax charge before exceptional items of £32.7 million for the 2006 financial year to a tax charge of £36.9 million for the 2007 financial year. This increase was the result of a higher taxable profit in the 2007 financial year, as explained above, and a higher tax charge in the 2007 financial year due to increased profitability in the UK which has higher tax rates than the Republic of Ireland.

Other operating data

Parts of this document, including this Part 7, contain information regarding gross transaction value, gross merchandise margin, EBITDA, Adjusted EBITDA (in each case whether before or after exceptional items) and EBITDA ratios, which are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements.

Gross transaction value, gross merchandise margin, EBITDA, Adjusted EBITDA, EBITDA ratios, like-for-like growth in gross transaction value, cash flows from operating activities and taxation and certain other items included herein are non-IFRS measures and an investor should not consider such

items as alternatives to the applicable IFRS measures. In particular, an investor should not consider Adjusted EBITDA or EBITDA as a measurement of Debenhams' financial performance or liquidity under IFRS as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of the Company's activity. Unless otherwise stated herein, all gross transaction value amounts are reported exclusive of VAT, and all compound annual growth rates, or CAGRs, are calculated on a nominal basis.

Key definitions for non-IFRS financial measures

Gross merchandise margin

Debenhams' gross merchandise margin consists of its gross transaction value less direct merchandise costs and reflects the direct profit made from the sale of its products. Changes in Debenhams' gross merchandise margin and corresponding changes in its gross merchandise margin as a percentage of gross transaction value, from period to period, are primarily affected by the following factors:

- the buying margin, or "markup," that Debenhams negotiates with its suppliers, which, in turn, may be impacted by the volume of products Debenhams purchases from such suppliers. The markup is equivalent to the original price Debenhams seeks to obtain for its merchandise less the direct merchandise cost of such merchandise;
- the level of Debenhams' markdowns, which include (i) "point of sale" markdowns, which are temporary promotional reductions designed to increase customer visits and growth in like-for-like or new gross transaction value, and (ii) clearance markdowns, which are permanent reductions in price used to clear poor-selling stock;
- changes in the mix of own bought and concession products sold, as own bought products produce higher gross merchandise margins;
- the mix of suppliers from whom Debenhams purchases its products, especially as it relates to the lead times required to secure merchandise from, and the geographical location of, such suppliers, and the mix of products sold by them;
- fluctuations in the exchange rates between the currencies in which Debenhams purchases its products and sterling, which in most cases Debenhams aims to hedge against using an associated forward exchange contract or other appropriate derivative product;
- freight and shipping costs for transport of merchandise to Debenhams' distribution centres and directly to its stores; and
- other factors such as duties, import quotas, supplier discounts for settlement and distribution, and stockloss or shrinkage, which refers to Debenhams' provision for theft, breakage and other stock losses.

Debenhams views gross merchandise margin as a key measure of its performance. However, Debenhams' statutory accounts only reflect gross profit, which is calculated as Group revenue less the cost of sales.

EBITDA

EBITDA is calculated as Group operating profit before deemed disposal of subsidiaries under IFRS (which includes amortisation of landlord and developer contributions received) plus depreciation of tangible fixed assets and amortisation of other intangible assets.

EBITDA has limitations as an analytical tool and an investor should not consider it in isolation from, or as a substitute for, analysis of the Group's results of operations, including the Group's cash flows, as reported under IFRS. Some of the limitations of EBITDA as a measure are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments, nor does it reflect the actual cash contributions received from landlords and developers;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;

- it does not reflect the significant interest expenses of, or the cash requirements necessary to service interest or principal payments on, the Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and the EBITDA measure does not reflect any cash requirements for such replacements;
- it includes the positive contribution from the amortisation of landlord and developer contributions; and
- other companies in Debenhams' industry may calculate this measure differently to Debenhams, limiting its usefulness as a comparative measure.

26 WEEK PERIOD ENDED 1 MARCH 2008 COMPARED TO 26 WEEK PERIOD ENDED 28 FEBRUARY 2009

The following table sets out certain unaudited operating and financial data relating to the Group for the 26 week periods ended 1 March 2008 and 28 February 2009.

	26 weeks ended 28 February 2009	26 weeks ended 1 March 2008	Difference %
	(unaudited)	(unaudited)	
£ in million unless otherwise indicated			
Other operating data			
Gross transaction value ⁽³⁾	1,307.2	1,303.6	0.3%
Gross merchandise margin ⁽³⁾	554.1	550.8	0.6%
Gross merchandise margin % ⁽³⁾⁽⁵⁾	42.4%	42.3%	0.1%
Operating profit	134.7	127.5	5.7%
Depreciation & Amortisation	48.6	47.9	1.5%
Loss/(Profit) on disposal of fixed assets	0.1	(3.5)	(102.9%)
EBITDA ⁽²⁾⁽³⁾	183.4	171.9	6.7%
Lease cost adjustments ⁽¹⁾	7.2	7.0	2.9%
Adjusted EBITDA ⁽³⁾⁽⁴⁾	190.6	178.9	6.5%
EBITDA growth % ⁽²⁾	6.7%		
EBITDA margin % ⁽²⁾⁽³⁾⁽⁵⁾	14.0%	13.2%	
Adjusted EBITDA growth % ⁽³⁾⁽⁴⁾	6.5%		
Adjusted EBITDA margin % ⁽³⁾⁽⁴⁾⁽⁵⁾	14.6%	13.7%	
Adjusted operating profit before exceptional items ⁽³⁾	141.9	134.5	5.5%

⁽¹⁾ The lease costs adjustment shows the additional non-cash IFRS flat lining lease costs that have been charged to Operating profit. Flat lining means that where property lease contracts contain guaranteed minimum incremental rental payments, the total committed cost is determined and is calculated and amortised on a straight line basis over the life of the lease.

⁽²⁾ EBITDA is calculated as operating profit before exceptional items (which includes amortisation of landlord and developer contributions received) plus depreciation of tangible fixed assets and amortisation of other intangible assets. EBITDA is not a measurement of performance under IFRS and an investor should not consider EBITDA (a) as an alternative to operating result or net result (as determined in accordance with IFRS) as a measure of Debenhams' operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities (as determined in accordance with IFRS) as a measure of Debenhams' ability to meet its cash needs or (c) as an alternative to any other measure of performance under IFRS. EBITDA is commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this document to permit a more complete and comprehensive analysis of Debenhams' operating performance. As companies do not calculate EBITDA identically, Debenhams' presentation of EBITDA may not be comparable to similarly-titled measures of other companies.

⁽³⁾ Gross transaction value, gross merchandise margin, EBITDA, EBITDA margin and the adjusted figures are not measurements of performance under IFRS and an investor should not consider them to be an alternative to any other measure of performance under IFRS.

⁽⁴⁾ Adjusted EBITDA is calculated as operating profit before exceptional items (which includes amortisation of landlord and developer contributions received) plus depreciation of tangible fixed assets and amortisation of other intangible assets and includes an adjustment for the flat lining rent expense, shown as lease cost adjustment, of £7.2 million for the 26 weeks ended 28 February 2009 and £7.0 million for the 26 weeks ended 1 March 2008. Adjusted EBITDA is not a measurement of performance under IFRS and an investor should not consider Adjusted EBITDA (a) as an alternative to operating result or net result (as determined in accordance with IFRS) as a measure of Debenhams' operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities (as determined in accordance with IFRS) as a measure of Debenhams' ability to meet its cash needs or (c) as an alternative to any other measure of performance under IFRS. Adjusted EBITDA is commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt-servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this document to permit a more complete and comprehensive analysis of Debenhams' operating performance. Because companies do not calculate Adjusted EBITDA identically, Debenhams' presentation of Adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

⁽⁵⁾ Gross merchandise margin, EBITDA margin and Adjusted EBITDA margin are calculated as a percentage of gross transaction value and are non-IFRS measures.

Gross merchandise margin

Gross merchandise margin increased by £3.3 million, or 0.6%, from £550.8 million in the 26 week period ended 1 March 2008 to £554.1 million in the 26 week period ended 28 February 2009.

This increase during the period under review is attributable to the growth in gross transaction value generated from eight new department store openings and one re-sited department store, and growth in Debenhams' international franchise stores and internet website, partly offset by a 3.6% (excluding VAT) decline in like-for-like sales. In addition, gross merchandise margin benefited from the strong performance of own bought products which outperformed lower-margin concession product categories and increased the own bought mix of sales and margin.

Gross merchandise margin as a percentage of gross transaction value increased by 0.1%, from 42.3% in the 26 week period ended 1 March 2008 to 42.4% in the 26 week period ended 28 February 2009. The growth in the percentage is a result of changes in own bought versus concessions mix offset by lower discounts, increased promotional markdowns and a decrease in intake margin caused by cost price inflation of merchandise bought for resale and adverse foreign currency movements.

EBITDA

EBITDA increased by £11.5 million, or 6.7%, from £171.9 million in the 26 week period ended 1 March 2008 to £183.4 million in the 26 week period ended 28 February 2009. EBITDA growth during the period under review was driven by new store openings, improvements in gross merchandise margin as outlined above and improved cost control across all areas of the business, offset by a 3.6% (excluding VAT) decline in like-for-like growth.

As a result of this performance, Debenhams' EBITDA margin as a percentage of gross transaction value increased from 13.2% in the 26 week period ended 1 March 2008 to 14.0% in the 26 week period ended 28 February 2009.

2006, 2007 AND 2008 FINANCIAL YEARS

The following table sets out certain unaudited operating and financial data relating to the Group for the 2006, 2007 and 2008 financial years.

	52 weeks ended 30 August 2008 (unaudited)	% change from 2008 financial year to 2007 financial year	52 weeks ended 1 September 2007 (unaudited)	% change from 2007 financial year to 2006 financial year	52 weeks ended 2 September 2006 (unaudited)
(£ in million unless otherwise indicated)					
Other Operating Data					
Gross transaction value ⁽³⁾	2,336.0	1.3%	2,305.6	5.1%	2,192.9
Gross merchandise margin ⁽³⁾	984.7	1.1%	973.6	2.9%	946.5
Gross merchandise margin % ⁽⁵⁾	42.2%	0.0%	42.2%	(0.9%)	43.2%
Operating profit before exceptional items	176.1	(9.3%)	194.1	(18.5%)	238.2
Exceptional costs ⁽¹⁾	—	100.0%	(14.3)	(2.1%)	(14.6)
Depreciation & amortisation	95.8	(5.1%)	100.9	10.8%	91.1
(Profit)/loss on disposal of fixed assets	(3.1)	(616.7%)	0.6	700.0%	(0.1)
EBITDA ⁽²⁾⁽³⁾	268.8	(4.4%)	281.3	(10.6%)	314.6
Exceptional excluding depreciation	—	(100.0%)	8.0	(45.2%)	14.6
Lease cost adjustment	13.5	(4.3%)	14.1	(5.4%)	14.9
Adjusted EBITDA ⁽³⁾⁽⁴⁾	282.3	(7.0%)	303.4	(11.8%)	344.1
EBITDA growth %	(4.4%)	(6.2%)	(10.6%)	—	—
EBITDA margin % ⁽³⁾⁽⁵⁾	11.5%	(0.7%)	12.2%	(2.1%)	14.3%
Adjusted EBITDA growth (%) ⁽³⁾	(7.0%)	(4.8%)	(11.8%)	—	—
Adjusted EBITDA margin (%) ⁽³⁾⁽⁵⁾	12.1%	(1.1%)	13.2%	(2.5%)	15.7%
Adjusted operating profit before exceptional items ⁽³⁾	189.6	(8.9%)	208.2	(17.7%)	253.1

⁽¹⁾ Exceptional costs comprise the aggregate of exceptional cost of sales, distribution exceptional costs and administrative exceptional costs for the 2006, 2007 and 2008 financial years, respectively.

⁽²⁾ EBITDA is calculated as Group operating profit before exceptional items (which includes amortisation of landlord and developer contributions received) plus depreciation of tangible fixed assets and amortisation of other intangible assets. EBITDA is not a measurement of performance under IFRS and an investor should not consider EBITDA (a) as an alternative to operating result or net result (as determined in accordance with IFRS) as a measure of Debenhams' operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities (as determined in accordance with IFRS) as a measure of Debenhams' ability to meet its cash needs or (c) as an alternative to any other measure of performance under IFRS. EBITDA is commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt-servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this document to permit a more complete and comprehensive analysis of Debenhams' operating performance. As companies do not calculate EBITDA identically, Debenhams' presentation of EBITDA may not be comparable to similarly-titled measures of other companies.

⁽³⁾ Gross transaction value, gross merchandise margin, EBITDA, EBITDA margin and adjusted figures are not measurements of performance under IFRS and an investor should not consider them to be an alternative to any other measure of performance under IFRS.

⁽⁴⁾ Adjusted EBITDA is calculated as operating profit before exceptional items (which includes amortisation of landlord and developer contributions received) plus depreciation of tangible fixed assets and amortisation of other intangible assets and includes a £14.9 million, £14.1 million and £13.5 million flat lining rent expense charge, shown as lease cost adjustment, for the financial years 2006, 2007 and 2008 respectively. Adjusted EBITDA is not a measurement of performance under IFRS and an investor should not consider Adjusted EBITDA (a) as an alternative to operating result or net result (as determined in accordance with IFRS) as a measure of Debenhams' operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities (as determined in accordance with IFRS) as a measure of Debenhams' ability to meet its cash needs or (c) as an alternative to any other measure of performance under IFRS. Adjusted EBITDA is commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt-servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and

amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this document to permit a more complete and comprehensive analysis of Debenhams' operating performance. Because companies do not calculate Adjusted EBITDA identically, Debenhams' presentation of Adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

⁽⁵⁾ Gross merchandise margin, EBITDA margin and Adjusted EBITDA margin are calculated as a percentage of gross transaction value and are non-IFRS measures.

Gross merchandise margin

Gross merchandise margin increased by £11.1 million, or 1.1%, from £973.6 million in the 2007 financial year to £984.7 million in the 2008 financial year (source: management accounts). In addition, gross merchandise margin increased by £27.1 million, or 2.9%, from £946.5 million in the 2006 financial year to £973.6 million in the 2007 financial year.

This increase in the 2008 financial year (compared with the 2007 financial year) is attributable to variety of factors: gross transaction value growth as a result of opening seven new department stores, including three re-sited department stores and one new Desire by Debenhams store, and refurbishing 19 core stores since the start of the 2008 financial year, combined with strong growth in international and internet sales, offset partially by a 0.9% decline in like-for-like sales. The nine Roches stores acquired in 2006 also generated additional gross merchandise margin and the strong performance of own bought products, which increased the gross merchandise margin through favourable own bought sales and product mix changes.

Debenhams also opened a new sourcing office in Turkey aimed at reducing lead times and introduced new radio frequency (RF) technology into stores so that price changes can be made more efficiently and clearly, both of which had a beneficial impact on markdown and gross merchandise margin.

Gross merchandise margin as a percentage of gross transaction value totalled 43.2%, 42.2% and 42.2% for the 2006, 2007 and 2008 financial years respectively. The decline between the 2006 and 2007 financial years is mainly due to the selling price realignment which commenced in May in the 2007 financial year, and impacted margins by 0.6% in a full year. As part of Debenhams' new product strategy, buyers were encouraged to improve the quality and design of products, which also contributed to reduced margin rates, and the decline in like-for-like sales led to additional clearance markdowns being required. In the 2007 financial year, the concessions sales mix also increased, due in part to the Roches acquisition (which had a relatively high concession participation) and in part to the weak performance of own bought merchandise.

Gross merchandise margin percentage remained flat between the 2007 financial year and the 2008 financial year. The full year effect of the price realignment had an adverse impact of 0.3% but this was offset by strong own bought performance giving rise to a margin mix benefit, and improved intake margins being achieved through reduced merchandise cost prices.

EBITDA

EBITDA decreased by £12.5 million, or 4.4%, from £281.3 million in the 2007 financial year to £268.8 million in the 2008 financial year. In addition, EBITDA decreased by £33.3 million, or 10.6%, from £314.6 million in the 2006 financial year to £281.3 million in the 2007 financial year. EBITDA has decreased for each of the three financial years.

The decline in EBITDA in the 2008 financial year (compared with the 2007 financial year) was primarily attributable to a 0.9% decline in like-for-like sales and new store and core store cost increases.

EBITDA decline in the 2007 financial year as compared to the 2006 financial year is due primarily to a 5.0% decline in like-for-like sales, new and core store cost increases due to inflation and extra space and a decrease in gross merchandise margin.

Adjusted EBITDA decreased by £21.1 million, or 7.0%, from £303.4 million in the 2007 financial year to £282.3 million in the 2008 financial year. This percentage decrease is higher than the unadjusted EBITDA percentage decrease referred to above, due to the 2007 financial year having an £8.0 million exceptional cost pre-exceptional depreciation, whereas the 2008 financial year did not have any exceptional costs, and due to the difference in the flat lining of lease costs year on year.

In addition, adjusted EBITDA decreased by £40.7 million, or 11.8%, from £344.1 million in the 2006 financial year to £303.4 million in the 2007 financial year. Again, this percentage decrease is slightly higher than the unadjusted EBITDA percentage decrease in the 2007 financial year due to a £0.3 million difference in exceptional costs between the 2006 and 2007 financial years, which included exceptional depreciation of £6.3 million relating to the reorganisation of the Roches stores and the year on year difference in the flat lining lease cost.

As a result of this performance, Debenhams' EBITDA margin as a percentage of gross transaction value decreased from 14.3% in the 2006 financial year to 12.2% in the 2007 financial year. In the 2008 financial year it decreased by a further 0.7% to 11.5%.

Adjusted EBITDA margin as a percentage of gross transaction value was 15.7%, 13.2% and 12.1% for the financial years 2006, 2007 and 2008, respectively.

Liquidity and capital resources

Capital resources

Debenhams maintains cash, which is primarily held in pounds sterling but also in euro, to fund the daily cash requirements of its UK and Irish businesses. Going forward, Debenhams expects that its investments will be funded through a combination of cash and borrowing capacities available to the Group. As of 28 February 2009, the Group held £139.3 million of unrestricted cash. Debenhams also has certain Credit Facilities, including a revolving credit facility of £250.0 million, which is available to Debenhams until one month prior to 19 April 2011 (the repayment date). As at 28 February 2009, £74.3 million was drawn against the revolving credit facility. The agreements governing some of these credit facilities include operating and financial covenants. For further information regarding the covenants, see Part 9 ("Relevant Documentation and Documentation Incorporated by Reference") of this document.

In addition to the facilities mentioned above, a principal source of Debenhams' liquidity is net cash inflow from operating activities and, as a result, significant risks to Debenhams' sources of liquidity include operational risks, such as the risk of stagnant or declining revenues.

Use of proceeds

The Directors intend to use the net proceeds of the Capital Raising in accordance with paragraphs 2(i) to 2(iv) of Part 1 ("Letter from the Chairman of Debenhams plc") of this document. Until utilised, £200 million of the amount received will remain in cash on Debenhams' balance sheet. In addition, Debenhams has agreed to apply £50 million of the net proceeds to fund a partial pre-payment of the £150 million term loan amortisation payment which is due under the terms of the existing debt facilities in May 2010, leaving £100 million payable at the normal due date.

Historical cash flows for the 26 week periods ended 1 March 2008 and 28 February 2009

The following table summarises the cash flow for the periods indicated in accordance with IFRS:

	26 weeks ended 28 February 2009 (unaudited)	26 weeks ended 1 March 2008 (unaudited)
(£ in millions)		
Net cash generated from operating activities	120.8	136.0
Net cash used in investing activities	(51.2)	(68.4)
Net cash used in financing activities	(2.5)	(36.1)
Increase in cash and cash equivalents	67.1	31.5

Net cash generated from operating activities

Net cash generated from operating activities decreased by £15.2 million, or 11.2%, from £136.0 million in the 26 week period ended 1 March 2008 to £120.8 million in the 26 week period ended 28 February 2009. This decrease was primarily due to a decrease in the amount owed to creditors.

Net cash used in investing activities

Net cash used in investing activities decreased from an outflow of £68.4 million in the 26 weeks ended 1 March 2008 to an outflow of £51.2 million in the 26 weeks ended 28 February 2009, primarily due to a cash outflow in the 26 week period ended 28 February 2009 of £51.2 million on capital expenditure, compared with a capital expenditure outflow in the 26 week period ended 1 March 2008 of £71.9 million.

Net cash used in financing activities

Net cash used in financing activities decreased from an outflow of £36.1 million in the 26 weeks ended 1 March 2008 to an outflow of £2.5 million in the 26 weeks ended 28 February 2009, primarily due to a reduction in the final dividend paid from 3.8p in the 26 weeks ended 1 March 2008 to 0.5p for the 26 weeks ended 28 February 2009, with a scrip alternative in that financial year.

Historical cash flows for the 2006, 2007 and 2008 financial years

The following table summarises cash flow for the periods indicated in accordance with IFRS:

	Financial year ended 30 August 2008	Financial year ended 1 September 2007	Financial year ended 2 September 2006
(£ in millions)			
Net cash generated from operating activities	191.4	227.4	190.3
Net cash used in investing activities	(125.6)	(96.5)	(88.5)
Net cash used in financing activities	(148.0)	(51.9)	(165.5)
(Decrease)/increase in cash	(82.2)	79.0	(63.7)

Net cash generated from operating activities

The following table sets out the principal components of Debenhams' net cash flow generated from operating activities for the periods indicated in accordance with IFRS:

	Financial year ended 30 August 2008	Financial year ended 1 September 2007	Financial year ended 2 September 2006
(£ in millions)			
Cash generated from operations	285.8	311.2	317.0
Interest received	4.8	4.3	7.8
Interest paid	(71.6)	(70.5)	(147.4)
Tax received/(paid)	(27.6)	(17.6)	12.9
Net cash generated from operating activities	191.4	227.4	190.3

Between 2007 and 2008, net cash generated from operations decreased by £36.0 million, or 15.8%, from £227.4 million in the 2007 financial year to £191.4 million in the 2008 financial year. This decrease was primarily due to a smaller increase in non-current liabilities, as a result of the accounting for lease costs and incentives associated with the opening of new stores, and reduced profit before tax and depreciation for the 2008 financial year. Stocks also decreased, but this was largely offset by a reduction in creditors and an increase in debtors.

Between 2006 and 2007, net cash inflow from operating activities increased by £37.1 million, or 19.5%, from £190.3 million in the 2006 financial year to £227.4 million in the 2007 financial year. This increase was primarily due to an increase in profit after exceptionals but before tax and depreciation, a large reduction in the interest expense following the refinancing in May 2006, a reduction in pension contributions and an increase in other non-current liabilities, offset by stocks and creditor movements. The stock increase was due to the acquisition of the Roches stores early in the 2007 financial year.

Net cash used in investing activities

The following table sets out the principal components of Debenhams' net cash used in investing activities for the periods indicated in accordance with IFRS:

	Financial year ended 30 August 2008	Financial year ended 1 September 2007	Financial year ended 2 September 2006
(£ in millions)			
Payments to acquire intangible fixed assets	(4.2)	(11.5)	—
Payments to acquire tangible fixed assets	(124.9)	(85.2)	(88.6)
Receipts from sale of tangible fixed assets	3.5	0.2	0.1
Net cash used in investing activities	(125.6)	(96.5)	(88.5)

Between 2007 and 2008, net cash used in investing activities increased by £29.1 million, or 30.2%, from £96.5 million in the 2007 financial year to £125.6 million in the 2008 financial year. This increase was primarily due to capital expenditure required for the acceleration of the store refurbishment programme in the 2008 financial year, when 19 modernisations were completed, compared with 12 in the 2007 financial year, plus an increase in new store spend in the 2008 financial year.

Between 2006 and 2007, net cash used in investing activities increased by £8.0 million, or 9.0%, from £88.5 million for the 2006 financial year to £96.5 million for the 2007 financial year. This increase resulted primarily from the capital expenditure required for the Roches acquisition in September 2006.

Debenhams' capital expenditure varies from period to period, primarily based on the number of stores that Debenhams opens and refurbishes during the relevant period. The principal components of Debenhams' capital expenditure have been new department store openings and store refurbishments, which represented 59.0%, 64.0% and 70.0% of total capital expenditure in the 2006, 2007 and 2008 financial years, respectively.

Net cash used in financing activities

The following table sets out the principal components of Debenhams' net cash used in financing activities for the periods indicated in accordance with IFRS:

	Financial year ended 30 August 2008	Financial year ended 1 September 2007	Financial year ended 2 September 2006
(£ in millions)			
Drawdown of term loan facility	—	—	1,050.0
Repayment of senior term loan	—	—	(1,827.6)
Proceeds from issue of ordinary shares	—	—	700.0
Repayment of term loan facility	(100.0)	—	—
Dividends paid	(44.4)	(42.0)	—
Appropriation – settlement of 'B' loan notes	—	—	(50.1)
Appropriation – settlement of 'C' loan notes	—	(0.2)	(22.1)
Receipt of monies for employee share options	—	0.2	—
Purchase of shares by Debenhams Retail Employee Trust 2004	(1.1)	(0.1)	(2.0)
Payments for reduction in outstanding finance lease liability	(0.7)	(0.4)	—
Capitalised debt issue costs	(1.8)	—	(12.6)
Appropriation by Debenhams Retail Employee Trust 2004	—	(9.4)	(1.1)
Net cash used in financing activities	(148.0)	(51.9)	(165.5)

Between 2007 and 2008 there was an increase in net cash used in financing activities, from a net cash outflow of £51.9 million in the 2007 financial year to a net cash outflow of £148.0 million for the 2008 financial year, due primarily to the £100 million repayment required in relation to the term loan.

Net cash used in financing activities decreased from a net cash outflow of £165.5 million for the 2006 financial year to a net cash outflow of £51.9 million for the 2007 financial year, primarily as a result of the repayment of the senior term loan in the 2006 financial year, loan note interest payments in the 2006 financial year exceeding dividend payments in the 2007 financial year and fees associated with the refinancing not recurring in the 2007 financial year.

Financial instruments

As at 28 February 2009, the Group had drawn £1,024 million of its borrowing facilities and a further £49.0 million was outstanding on finance leases.

Debenhams maintains cash, which is primarily held in pounds sterling but also in euro, to fund the daily cash requirements of its UK and Irish businesses. As at 28 February 2009, the Group held £139.3 million of unrestricted cash. The majority is held on short-term deposit in readiness for the annual repayment under the term loan facility.

The Group's credit facilities (the "Credit Facilities") include an unsecured term loan (the "Term Loan") of £1,050.0 million and an unsecured multicurrency revolving credit facility ("RCF") of £250.0 million. The term loan facility was, and is to be, repaid annually in the amounts of £100.0 million on 30 May 2008, £100.0 million on 30 May 2009, £150.0 million on 30 May 2010 and the remainder on 19 April 2011. The RCF will cease to be available from one month prior to 19 April 2011. Interest rates are based on LIBOR or EURIBOR as appropriate.

The terms of the Credit Facilities restrict the Group from, among other things, incurring additional debt and granting guarantees. The Credit Facilities also require the Group to comply with certain negative covenants, including covenants relating to creation of security, financial indebtedness, guarantees, disposals, loans, acquisitions and joint ventures and change in business. In addition, the Credit Facilities require the Company to comply with specified financial ratios in relation to consolidated EBITDAR to the sum of consolidated net rent and consolidated net interest payable, and also in relation to consolidated EBITDA to total consolidated total net debt.

The Group's interest rate risk arises from long-term borrowings. The Group's current borrowing facilities are issued at variable rates that expose the Group to cash flow interest rate risk. The interest exposure of the Group is managed within the constraints of the Group's business plan with the aim of reducing exposure to the effects of interest rate movements, and taking advantage of low interest rates by hedging an appropriate amount of interest rate exposure while maintaining the flexibility to minimise early termination costs. The Group's interest rate hedging strategy is to achieve a target fixed percentage of 75.0%, with a 15.0% tolerance (60.0 – 90.0%) on a consolidated basis.

The impact of movements in interest rates is managed through the use of floating rate debt and interest rate swaps. Interest rate swaps are typically matched with specific loans for a period of time up to their maturity or call date.

The Group's main interest rate exposure is from the floating rate loans under the credit facilities. At 28 February 2009, hedged fixed rate borrowings amounted to £740.0 million, being 68.9% of the Group's total borrowings.

Finance leases

In 1988 a number of properties with a market value of £42.7 million were sold to Lloyds TSB on 125 year leases at peppercorn rents. The Group subsequently entered into full tenant and landlord repairing sub-leases for 125 years. During 2008, one of the properties within this arrangement was sold. This sale reduced the outstanding principal by £5.0 million. The rentals payable are structured so as to give the lessors a financing return linked to LIBOR in the first 25 years and, in the following ten years, a LIBOR-linked return together with the repayment of capital. Thereafter, market rentals are payable subject to revision every five years. In the early years, the amounts payable are below LIBOR and in the later years, they are in excess of LIBOR. The financing costs are, however, allocated over the 25 year period so as to achieve an annual funding cost which is consistent with LIBOR. The Group has

limited rights, up to the 25th year of the leases, to vary the terms of the leases to buy out the rental obligations based on the properties' original sales proceeds. The leases are reflected in fixed assets at their cost to the Group.

Derivative financial instruments

Debenhams uses various derivative financial instruments, as described in its Treasury policy, to reduce exposure to foreign currency and interest rate risks. Derivative financial instruments are accounted for using hedge accounting, to the extent that they are held to hedge a financial asset or liability or future expenditure. When a derivative financial instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished, or because a future event is no longer likely to occur, the derivative is accounted for in the profit and loss account when the underlying exposure ceases to exist. Debenhams policy is not to use derivative financial instruments for speculative purposes.

Commitments and contingent liabilities

Commitments

The Company has various contractual obligations and commercial commitments to make future payments, including bank loans and overdrafts, finance lease obligations and certain other committed obligations. The following table summarises the Company's future obligations (including interest up to 28 February 2009) under these contracts, due by the periods indicated, as at 28 February 2009.

<u>Contractual Obligations</u>	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	(£ in millions)				
Credit Facilities and bank overdrafts	1,025.2	175.2	850.0	—	—
Finance lease obligations	48.9	2.0	6.0	40.8	0.1
Existing operating lease obligations	4,516.3	152.3	305.0	307.0	3,752.0
New property operating lease obligations	171.5	0.7	11.6	14.4	144.8
Total contractual obligations	5,761.9	330.2	1,172.6	362.2	3,896.9

Debenhams' new property operating lease obligations reflect the sum of all rental payments due under future leases, the status of which are unconditional at 28 February 2009. The majority of these leases are for terms of 25 years. A portion of Debenhams' operating lease obligations is guaranteed by certain of its subsidiaries.

Contingent liabilities

In the 2008 financial year, the Group gave guarantees in the normal course of business for £10 million, which related to an insurance letter of credit for £5.0 million and a duty deferment guarantee of £5.0 million. At 28 February 2009 these guarantees had increased to £11.4 million. Debenhams has also guaranteed certain of its properties, £47.6 million of property lease obligations as at 28 February 2009 and £48.9 million at 30 August 2008.

The Company is also liable for the pension schemes contributions and deficits on the Debenhams Executive Pension Plan and Debenhams Retirement Scheme.

Capital expenditure

The following table sets out the Group's capital expenditure for the periods indicated:

	Financial year ended 30 August 2008	Financial year ended 1 September 2007
	(£ in millions)	
New store openings/modernisations	91.1	62.0
Other	38.0	34.7
Total	129.1	96.7

The principal components of Debenhams' capital expenditure have typically been new department store openings and store refurbishments. For the 26 week period ended 28 February 2009, capital expenditure included costs related to the opening of four new department stores and one new Desire by Debenhams store.

In the 2008 financial year, Debenhams invested £129.1 million in fixed asset additions. Of this amount, 47% related to new stores, 23% to store refurbishments, 19% to maintenance, 6% to systems and 5% to other items. In the 2009 financial year, management expects fixed asset additions to reduce to approximately £90 million. This reduction will be achieved through the deferral of much of the store refurbishment programme and the delay or cancellation of other capital projects which do not meet required return rates, as well as fewer new store openings compared with the prior financial year. Given the strong returns generated from new store openings, the Directors do not intend to curtail the new store programme except where constrained by developers own difficulties.

Debenhams has opened one new department store since 28 February 2009. Debenhams is also contractually committed (including conditional contracts) to open 16 additional new department or Desire by Debenhams stores (including one re-site of existing department stores) by the end of the 2012/2013 financial years. From the start of the 2009 financial year through to the end of the 2013 financial year, Debenhams expects to invest £143.1 million in capital expenditure on new stores (including Desire by Debenhams stores).

Capitalisation and indebtedness

The following tables set out the consolidated total gross indebtedness of the Group as at 25 April 2009 and the total capitalisation of the Group as at 28 February 2009. The figures for the total gross indebtedness and total capitalisation of the Group have been extracted without material adjustment from the Company's unaudited accounting records.

(£ in millions)

Capitalisation and indebtedness^{(2) (3) (4)}

Total current debt

Guaranteed	1.3
Secured ⁽⁵⁾	0.9
Unguaranteed/unsecured ^{(4) (6)}	212.2
	214.4

Total non-current debt (excluding current portion of the long-term debt)

Guaranteed	46.0
Secured ⁽⁵⁾	0.4
Unguaranteed/unsecured ⁽⁴⁾	846.6
	893.0

Total gross indebtedness **1,107.4**

Shareholder's equity

Share capital	0.1
Share premium	682.9
Merger reserve	1,200.9
Reverse acquisition reserve	(1,199.9)
Hedging reserve	2.4
Other reserves	1.1
Retained earnings	(524.9)

Total capitalisation⁽¹⁾ **162.6**

Notes

⁽¹⁾ As at the date of this document, there has been no material change to the capitalisation of the Group since 28 February 2009.

⁽²⁾ This statement of capitalisation and indebtedness has been prepared under IFRS which is consistent with the Group's interim financial information.

⁽³⁾ This information is unaudited.

⁽⁴⁾ The Group's debt is shown net of unamortised issue costs.

⁽⁵⁾ Hire purchase and finance leases of £1.3 million are secured upon the assets to which they relate. £0.9 million of the hire purchase and finance lease obligations is within current debt and £0.4 million is within non-current debt.

⁽⁶⁾ The Group's overdraft of £3.5 million, RCF of £111.0 million and term loan (net of fees) of £97.7 million are unguaranteed and unsecured.

The following table sets out the unaudited net financial indebtedness of the Group as at 25 April 2009:

	(£ in millions)
Net indebtedness	
Cash	20.7
Cash equivalents	11.8
Trading securities	103.8
Total liquidity	136.3
Current bank debt ⁽⁶⁾	(114.5)
Current portion of bank loans ⁽⁶⁾⁽⁸⁾	(97.7)
Other current financial debt ⁽⁷⁾	(2.2)
Current financial debt	(214.4)
Net current financial indebtedness	(78.1)
Non-current bank loans	(846.6)
Other non-current loans ⁽⁷⁾	(46.4)
Non-current financial indebtedness	(893.0)
Net financial indebtedness	(971.1)

Notes

⁽⁷⁾ Other current financial debt includes hire purchase and finance lease obligations.

⁽⁸⁾ The Group's debt is shown net of unamortised issue costs.

The Group has no indirect or contingent indebtedness as at 25 April 2009. Details of the guarantees entered into by the Group as at 25 April 2009 are shown below:

- a. Duty Deferment Guarantees of £6.4 million.
- b. Letters of credit of £5.0 million.

The Group also has derivatives not reflected in the analysis above with the following fair values as at 25 April 2009:

	Asset/(Liability) (£ in millions)
Foreign currency – held for trading	
– assets	8.8
– liabilities	(1.8)
Foreign currency hedging	
– assets	21.8
– liabilities	—
Interest rate hedging	
– assets	—
– liabilities	(33.0)
Total	(4.2)

Off-balance sheet arrangements

Historically, Debenhams has not used special purpose vehicles or similar financing arrangements. Debenhams does not have any off-balance sheet financing arrangements with any of its affiliates or with any unconsolidated entities.

Dividend policy

The Directors did not propose an interim dividend for 2009 despite a robust trading performance, total fashion market share gains and strong cash generation in the first half of the 2009 financial year. This decision was taken due to the Directors' belief that, in order to maximise value for shareholders in the current environment, it is important that leverage is taken off the agenda while prudent capital investment in higher returning projects is maintained across the business, particularly in relation to the new store programme and any opportunistic acquisitions that may arise. It is the Directors' intention to return to paying a dividend once they believe it is financially prudent to do so. The cash cost of dividend payments in the financial year ended 30 August 2008 was £44.4 million.

Qualitative and quantitative disclosures about market risk

The Group's exposure to market risk is a function of its borrowing and business activities. The Group is exposed to market risk from changes in both foreign currency exchange rates and interest rates. The Group faces foreign exchange risk to the extent that the business' sales, costs, assets or liabilities are denominated in currencies other than pounds sterling. Its interest rate risk results from changes in interest rates which may affect the cost of its financings. The Group does not hold or issue derivative or other financial instruments for trading purposes.

For a discussion of the Group's financial risk management policies see Note 3 to the financial information for the financial year ended 30 August 2008.

Foreign exchange risk

The Group's functional currency is sterling. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and, to a lesser extent, the euro. Foreign exchange risk arises from future commercial transactions relating to imports and trading in the Republic of Ireland. To manage the foreign exchange transaction risk, entities in the Group use forward currency contracts with a settlement period of 18 months or less. Up to 100.0% of the first three months' forecast purchases, up to 80.0% of the next three months and up to 70.0% of the following 12 months' are hedged.

The Group hedges the material translation exposure in respect of the assets and liabilities of operations in the Republic of Ireland operations but does not hedge economic exposure.

Credit risk

Credit risk is the risk that the Group can suffer financial loss through default by customers or financial institution counterparties. The Group has no significant concentrations of credit risk. Sales to retail customers are made in cash or by credit and debit cards, and wholesale sales of products to franchisees are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. Cash surpluses are placed on deposit for no longer than three months and only with financial counterparties with a short-term credit rating of A1, P1 or better as assigned by either Standard and Poor's or Moody's respectively. The carrying amount of financial assets recorded in the Group's consolidated audited financial statements is recorded net of any allowances, and such allowance for losses represents the Group's maximum exposure to credit risk.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings under the term loan and RCF, denominated in pounds sterling. The Group's current borrowing facilities are issued at variable rates that expose the Group to cash flow interest rate risk. The interest exposure of the Group is managed within the constraints of the Group's business plan. The Group's interest rate hedging strategy is to achieve a target fixed percentage of 75.0%, with a 15.0% tolerance (60.0-90.0%). The impact of movements in interest rates is managed through the use of floating rate debt and interest rate swaps. Interest rate swaps are typically matched with specific loans for a period of time up to their maturity or call date.

As at 28 February 2009, Debenhams had borrowed £950.0 million of term loans and £74.3 million under the RCF. In relation to the term loans, Debenhams has entered into interest rate hedges for £715.0 million, which expire on or before 30 November 2011. In addition, £25.0 million of Debenhams' finance lease obligations were hedged against movements in interest rates using interest rate swaps. 68.9% of the total indebtedness of the Company and its consolidated subsidiaries as at 28 February 2009 was hedged against movements in interest rates. Assuming no changes in the borrowings and interest rate swaps described above, it is estimated that a rise of 1.0% in interest rates would reduce profits before taxation for the current financial year by £3.0 million.

Impact of inflation

A portion of Debenhams' costs is affected by inflation, but the Directors believe that Debenhams is not subject to material risk due to inflation.

Liquidity risk

The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group finances its operations by a combination of retained profits, debt finance and finance leases. The objective is to ensure that there is sufficient cash or working capital facilities to meet the cash flow requirements of the Group for its current business plan. Short-term requirements can be financed by the £250.0 million RCF, which expires in April 2011, of which £74.3 million was utilised as at 28 February 2009.

Critical accounting policies

Critical accounting policies are those policies that require the application of the Company's management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. The Directors believe that the Company's most critical accounting policies are those described below. Due to the uncertainty inherent in these matters, actual results could differ from the estimates Debenhams uses in applying the critical accounting policies described below.

A detailed description of certain of the main accounting policies used in preparing the Company's consolidated financial statements is set out in Note 2 to the Group's consolidated audited financial statements for the financial year ended 30 August 2008. No accounting policies have been changed in the 26 weeks ending 28 February 2009.

Critical accounting policies include:

Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised, but tested for impairment annually, or when trigger events occur, and carried at cost less accumulated impairment losses.

Taxation

Current tax is based on taxable profits for the financial period using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversals of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

The fair value of shares issued through the employee share scheme is charged as an operating cost over the period of performance of the employee in respect of which rights to acquire the shares are granted. The effect of uncertainty, as to whether any performance criteria will be met, is dealt with by estimating the probability of the shares vesting.

Retirement benefit costs

The asset recognised in respect of defined benefit schemes is the fair value of the plan assets less the present value of the defined obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in sterling, and that have terms to maturity which approximate to the terms of the related pension liabilities.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is charged on property, plant and equipment, less residual value, on a straight-line basis over their estimated useful economic life.

Leased assets

Leases of assets which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments and depreciated over the period of the lease. The resulting lease obligations are included in liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. Rentals payable under operating leases, net of lease incentives, are charged to the income statement on a straight-line basis over the period of the lease.

Where property lease contracts contain guaranteed fixed minimum incremental rental payments, the total committed cost is determined and is calculated and amortised on a straight-line basis over the life of the lease.

Derivatives

The derivative instruments used by the Group to manage its interest rate and currency risk are interest rate swaps and forward currency contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument and the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Derivatives are recognised using trade date accounting.

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting

The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the relevant line of the income statement which will be affected by the underlying hedged item.

Amounts accumulated in equity are recycled and adjusted against the initial measurement of the underlying hedged item when the underlying hedged item is recognised on the balance sheet or in the income statement.

When a hedged instrument expires, is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the relevant line of the income statement which will be affected by the original underlying hedged item. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the relevant line of the income statement, which would have been affected by the forecasted transaction.

Certain derivatives do not qualify for hedge accounting. Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement.

Where the risks and characteristics of derivatives embedded in other contracts are not closely related to those of the contracts, and the whole contract is not carried at fair value with gains or losses reported in the income statement, the derivative is separated from that host contract and measured at fair value, with fair value movements reflected in the account in the income statement which will be affected by the underlying host contract.

PART 8

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names appear in paragraph 5 of this Part 8, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2 Incorporation and registered office

The Company was incorporated and registered in England and Wales on 10 May 2005 as a private company limited by shares under the Companies Act 1985 with the name Debenhams Retail Holdings Limited and with the registered number 05448421. On 18 April 2006 the Company was re-registered as a public limited company with the name Debenhams plc.

The Company's registered office, principal place of business and the business address of the Directors and the Senior Managers is 1 Welbeck Street, London W1G 0AA. The telephone number of the registered office is +44 20 7408 4444.

The principal legislation under which the Company operates is the Companies Act and regulations made thereunder.

3 Share capital

3.1 As at 4 June 2009 (being the latest practicable date prior to the date of this document), the authorised, issued, called up and fully paid share capital of the Company was as follows:

	Authorised		Issued, called up and fully paid	
	Number	Amount	Number	Amount
Ordinary Shares of 0.01pence	1,288,461,539	£128,846.15	882,825,016	£88,282.50

3.2 The authorised, issued, called up and fully paid ordinary share capital of the Company immediately following completion of the Capital Raising is expected to be as follows:

	Authorised		Issued, called up and fully paid	
	Number	Amount	Number	Amount
Ordinary Shares 0.01pence	1,672,848,189	£167,284.82	1,286,806,299	£128,680.63

3.3 Save as disclosed in paragraph 3.5 below, since 3 September 2005 there has been no issue of share capital of the Company, fully or partly paid, either for cash or for other consideration, and (other than in connection with the Capital Raising, the exercise of options and the scrip dividend scheme) no such issues are proposed. As at the date of this document, the Company does not hold any Ordinary Shares in treasury.

3.4 The number of Ordinary Shares in issue at the beginning and end of the last financial year, was as follows:

Date	Authorised (number)	Issued, called up and fully paid (number)
2 September 2007	1,288,461,539	858,974,359
30 August 2008	1,288,461,539	874,770,325

3.5 The share capital history of the Company is as follows:

On incorporation the authorised share capital of the Company was £11,003 divided into three subscriber shares of £1.00 each, 10,000,000 ordinary shares of 0.1p each and 100,000 governance shares of 1p each. Pursuant to the authority set out in the Company's Articles of Association and in accordance with a Share Exchange Agreement dated 24 May 2005 between Baroness Group Holdings Limited, its shareholders and the Company, 10,000,000 ordinary shares of 0.1p each were issued and 100,000 governance shares of 1p each were issued.

On 24 May 2005, by a members' written resolution, the three subscriber shares with which the Company was incorporated were redesignated as subscriber shares having the rights set out in the Articles of Association of the Company adopted on 24 May 2005.

On 5 April 2006, by a members' written resolution, the authorised share capital of the Company was increased by £40,000 from £11,003 to £51,003, by the creation of 40,000,000 shares of 0.1p each. The additional ordinary shares were allotted as fully paid to the holders of ordinary shares at that date on a 4 for 1 basis in respect of their existing shareholdings. Upon admission of the ordinary share capital of the Company to the Official List in May 2006 the governance shares and the subscriber shares were transferred by the holders to the Company for nil consideration and cancelled.

On 3 May 2006, by a members' written resolution, the authorised share capital of the Company was increased by £77,843.15 and each of the issued and unissued ordinary shares of 0.1 pence was subdivided into ten ordinary shares of 0.01 pence each.

The IPO resulted in the allotment of 358,974,359 ordinary shares. On 9 May 2006 the ordinary shares were admitted to the Official List and to trading on the market for listed securities of the London Stock Exchange.

On 3 June 2008, at an Extraordinary General Meeting of the Company, the Company was authorised to operate a scrip dividend scheme.

On 4 July 2008, 15,795,966 ordinary shares were allotted pursuant to the Company's scrip dividend scheme.

On 13 January 2009, at the Annual General Meeting of the Company:

- (a) the Directors were generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985, in substitution for all prior authorities conferred upon them, but without prejudice to any allotments made pursuant to the terms of such authorities, to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal value of £29,159.00 (such amount being equal to the value of one third of the Company's issued share capital as at 1 December 2008) provided that this authority shall expire at the Company's next annual general meeting after the passing of this resolution, and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired;
- (b) the Directors were empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities for cash as if section 89(1) of the Companies Act 1985 did not apply to such allotment, such power being limited to the allotment of equity securities:
 - (i) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such Shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £4,373.00,

provided always that such power expires on the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that this power has expired;

- (c) the Company was authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Shares, subject to the following conditions:
- (i) the maximum number of Shares authorised to be purchased may not be more than 87,477,032 Shares;
 - (ii) the minimum price which may be paid for a Share is 0.01 pence, being the nominal value of each Share;
 - (iii) the maximum price which may be paid for each share shall be the higher of:
 - (A) an amount equal to 105% of the average of the middle-market quotations of a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased; and
 - (B) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System (SETS);
 - (iv) unless previously renewed, varied or revoked the authority shall expire at the close of the next annual general meeting of the Company or 18 months from the date of this resolution (whichever is earlier); and
 - (v) a contract to purchase Shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after the expiry of this authority.

On 16 January 2009, 8,054,691 Ordinary Shares were allotted pursuant to of the Company's scrip dividend scheme.

- 3.6 Save as disclosed in this paragraph 3 and in paragraphs 5, 11 and 15 below of this Part 8:
- (a) no share or loan capital of the Company has, within three calendar years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Firm Placing and Open Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
 - (c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 3.7 The Company will be subject to the continuing obligations of the Listing Rules with regard to the issue of Shares for cash. The provisions of section 89 of the Companies Act 1985 (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Companies Act 1985) apply to the authorised but unissued share capital of the Company (in respect of which the Directors have authority to make allotments pursuant to section 80 of the Companies Act 1985 as referred to in sub paragraph 3.5(a) above) except to the extent that such provisions have been disapplied as referred to in sub paragraph 3.5(b) above.
- 3.8 The New Ordinary Shares will have the same rights in all respects as the Existing Ordinary Shares (including the right to receive all dividends or other distributions declared after the date of issue of the New Ordinary Shares).
- 3.9 The ISIN Code for the New Ordinary Shares is GB00B51Z3098.

4 Memorandum and Articles of Association

The Memorandum of Association of the Company provides that its objects include, among others, the carrying on of the business of a holding company, the carrying on of such operations as seem to the Directors to advance the interests of the Company, and to do all such other things as may be considered incidental or conducive to the attainment of the Company's objects. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 5.3 of this Part 8.

The Articles of Association of the Company (the "Articles") include provisions to the following effect:

4.1 *Share rights*

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any Existing Ordinary Shares or class of Shares, any Share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any Existing Ordinary Shares or class of Shares, the Board may issue Shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Companies Act, the unissued Shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Board.

4.2 *Voting rights*

Subject to any rights or restrictions attached to any Shares, on a show of hands every member who is present in person shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote; and on a poll every member present in person or by proxy shall have one vote for every Share of which he or she is the holder.

No member shall be entitled to vote at any general meeting either in person or by proxy unless all moneys presently payable by him in respect of Shares in the Company have been paid.

If at any time the board is satisfied that any member, or any other person appearing to be interested in Shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the board may, in its absolute discretion at any time thereafter by notice to such member, direct that in respect of the Shares in relation to which the default occurred the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of Shares or on a poll.

4.3 *Dividends and other distributions*

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid, but no amount paid on a Share in advance of calls shall be treated for these purposes as paid on the Share.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any Shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a Share shall bear interest against the Company unless otherwise provided by the rights attached to the Share.

The Board may withhold payment from a person of all or any part of any dividend or other moneys payable in respect of Shares in the Company, if those Shares represent at least a 0.25% interest in the Company's Shares or any class thereof and if, in respect of those Shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those Shares required to be provided by the Company under the Companies Act.

Except as otherwise provided by the rights and restrictions attached to any class of Shares, all dividends will be declared and paid according to the amounts paid up on the Shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of Shares the right to elect to receive Shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

Any dividend which has remained unclaimed for six calendar years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of Shares, the holders of the Company's Shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.4 *Variation of rights*

Subject to the provisions of the Companies Act, rights attached to any class of Shares may be varied or abrogated with the written consent of the holders of three quarters in nominal value of the issued Shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the class.

4.5 *Lien and forfeiture*

The Company shall have a first and paramount lien on every Share (not being a fully paid Share) for all moneys payable to the Company (whether presently or not) in respect of that Share. The Company may sell any Share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the Share demanding payment and stating that if the notice is not complied with the Share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their Shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his or her Shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.

4.6 *Transfer of shares*

A member may transfer all or any of his or her certificated Shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated Share which is not a fully paid Share, provided that the refusal does not prevent dealings in Shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated Share unless the instrument of transfer:

- (a) is lodged, duly stamped (if stampable), at the Company's office or at another place appointed by the Board accompanied by the certificate for the Share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of one class of Share only; and
- (c) is in favour of not more than four persons.

The Board may refuse to register a transfer of Shares in the Company by a person if those Shares represent at least a 0.25% interest in the Company's Shares or any class thereof and if, in respect of those Shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those Shares required to be provided by the Company under the Companies Act, unless: (i) the transfer is an approved transfer (as defined in the Articles); (ii) the member is not himself or herself in default as regards supplying the information required and certifies that no person in default as regards supplying such information is interested in any of the Shares the subject of the transfer; or (iii) the transfer of the Shares is required to be registered by the Uncertificated Securities Regulations 2001 (the "Regulations").

If the board refuses to register a transfer of a Share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a Share.

Subject to the provisions of the Regulations, the Board may permit the holding of Shares in any class of Shares in uncertificated form and the transfer of title to Shares in that class by means of a relevant system, and may determine that any class of Shares shall cease to be a participating security.

4.7 *Alteration of share capital*

The Company may by ordinary resolution increase, consolidate or, subject to the provisions of the Companies Act, sub-divide its share capital. The Company may by ordinary resolution also cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its authorised share capital by the amount of the Shares so cancelled. Subject to the provisions of the Companies Act, the Company may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

4.8 *Purchase of own shares*

Subject to the Companies Act and the Listing Rules and without prejudice to any relevant special rights attached to any class of Shares, the Company may purchase any of its own Shares of any class in any way and at any price (whether at par or above or below par).

4.9 *General meetings*

- (a) The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act.
- (b) The Board may call general meetings at such times and places as it shall determine.
- (c) An annual general meeting shall be called by at least 21 clear days' notice. All other general meetings shall be called by at least 14 clear days' notice.

- (d) Subject to the provisions of the Companies Act, to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be sent to every member and every Director.
- (e) The notice must specify the time, date and place of the meeting and the general nature of the business to be dealt with.
- (f) The notice may be sent in such form and by such means as the Company determines in its absolute discretion, subject to the provisions of the Companies Act.
- (g) In the case of an annual general meeting, the notice must specify the meeting as such. In the case of a meeting to pass a special resolution, the notice must specify the intention to propose the resolution as a special resolution.

4.10 ***Mandatory takeover bids, squeeze-out and sell-out rules***

Other than as provided by the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and/or sell-out rules in relation to the Ordinary Shares.

4.11 ***Directors***

4.11.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two nor more than 25 in number. Directors may be appointed by ordinary resolution of the Shareholders or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting, and if not re-appointed at such annual general meeting, shall vacate office at its conclusion.

(a) No share qualification

A director shall not be required to hold any Shares in the capital of the Company by way of qualification.

(b) Retirement of Directors by rotation

At every annual general meeting, any director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall automatically retire from office. The Directors to retire by rotation shall be first, those who wish to retire and not be re-appointed to office, and second, those who have been longest in office since their last appointment or re-appointment or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. A retiring Director shall be eligible for re-election.

(c) Remuneration of Director

The emoluments of any Director holding executive office for his or her services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) shall not exceed in aggregate £1 million per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office and who serves on any committee of the Board, goes or resides abroad for any purpose of the Company by the request of the Board, or otherwise performs services outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Board may determine.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his or her family or any person who is or was dependent on him.

(d) Permitted interests of Directors

Subject to the provisions of the Companies Act, and provided that he or she has disclosed to the Board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Companies Act 2006 apply, in which case no such disclosure is required), a Director notwithstanding his or her office:

- (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise interested;
- (ii) may act by himself or herself or his or her firm in a professional capacity for the Company (otherwise than as auditor), and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;
- (iii) may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate (i) in which the Company is (directly or indirectly) interested as a shareholder or otherwise; or (ii) with which he or she has such a relationship at the request or direction of the Company; and
- (iv) shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any such office or employment or from any transaction or arrangement or from any interest in any body:
 - (A) the acceptance, entry into or existence of which has been approved by the board pursuant to Article 144 (subject, in any such case, to any limits or conditions to which such approval was subject); or
 - (B) which he or she is permitted to hold or enter into by virtue of paragraph 4.11(d)(i), 4.11(d)(ii) or 4.11(d)(iii) above,

and the receipt of such remuneration or other benefit shall not constitute a breach of his or her duty under section 176 Companies Act 2006.

- (v) The Board may authorise Directors' actual and potential conflicts of interests, provided that any Director concerned does not vote or count towards the quorum at the meeting where the matter is considered. Where a Director's relationship with another person has been authorised and such relationship gives rise to an actual or potential conflict of interest, the Director will not be in breach of the general duties he or she owes to the Company if he or she absents himself from meetings, or makes arrangements not to receive documents and information, relating to the actual or potential conflict of interest for so long as he or she reasonably believes that the same subsists.

A disclosure may be made at a meeting of the Board, by notice in writing or by general notice or otherwise in accordance with the Companies Act.

(e) Restrictions on voting

A Director shall not vote on any resolution of the Board concerning a matter in which he or she has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, but these prohibitions shall not apply to:

- (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (iii) a contract, arrangement, transaction or proposal concerning an offer of Shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which he or she is to participate;
- (iv) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or she or any person connected with him is interested, directly or indirectly, and whether as an officer, Shareholder, creditor or otherwise, if he or she and any persons connected with him do not to his or her knowledge hold an interest (as that term is used in sections 820 to 825 inclusive of the Companies Act 2006) representing 1% or more either of any class of the equity share capital of such body corporate (or any other body corporate through which his or her interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be likely to give rise to a conflict with the interests of the Company);
- (v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- (vi) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

(f) Indemnity of officers

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against any liability incurred by him, for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that such indemnity shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Companies Act.

5 Directors' and Senior Managers' interests

5.1 Board of Directors

The following table lists the names, positions and ages of the Directors of the Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John Lovering	59	Chairman
Rob Templeman	51	Chief Executive
Michael Sharp	51	Deputy Chief Executive
Chris Woodhouse	47	Finance Director
Adam Crozier	45	Independent Non-Executive Director
Peter Long	56	Independent Non-Executive Director
Dennis Millard	60	Independent Non-Executive Director
Paul Pindar	50	Senior Independent Non-Executive Director

John Lovering became a director of one of the Debenhams Acquisition Companies in September 2003, Chairman of Debenhams Limited (now called Debenhams Group Holdings Limited) in December 2003 and Chairman of the Company in May 2006, in anticipation of the IPO. Mr Lovering is a former Chairman of Birthdays Group Limited, Fired Earth Limited, Fitness First Limited, Homebase Group Limited, the Laurel Pub Company Limited, Odeon Limited, the Peacock Group and Somerfield Limited. He was also previously Vice Chairman of Barclays Capital, Chief Operating Officer of Tarmac Limited and Finance Director of Sears Limited.

Rob Templeman became a director of one of the Debenhams Acquisition Companies in September 2003, Chief Executive of Debenhams Limited (now called Debenhams Group Holdings Limited) in December 2003 and Chief Executive of the Company in May 2006, in anticipation of the IPO. Previously Mr Templeman was Chief Executive and subsequently Chairman of Halfords Group plc, Chief Executive of Homebase Group plc and Chief Executive of Harveys Furnishing plc.

Michael Sharp was Trading Director of Debenhams Limited (now called Debenhams Group Holdings Limited) from 1997 to 2004 and was appointed its Chief Operating Officer in January 2004, Chief Operating Officer of the Company in May 2006 and then Deputy Chief Executive in November 2008. He previously worked in various capacities within the Burton Group, including as Managing Director of Principles and Racing Green, and Buying and Merchandising Director of Topshop and Top Man.

Chris Woodhouse became a director of one of the Debenhams Acquisition Companies in September 2003, Finance Director of Debenhams Limited (now called Debenhams Group Holdings Limited) in December 2003 and Finance Director of the Company in May 2006, in anticipation of the IPO. Mr Woodhouse is currently Group non-executive Chairman of Gondola Group Limited. He was previously Deputy Chairman of Halfords Group plc and Commercial Director and Deputy Chief Executive at Homebase Group plc. He is a former finance director of Birthdays Group Limited and Superdrug Stores Limited. Chris Woodhouse is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the Association of Corporate Treasurers.

Adam Crozier became a director of the Company in April 2006 and is Chairman of the Remuneration Committee. Mr Crozier has been Chief Executive of the Royal Mail since 2003. Previously he was Chief Executive of the Football Association Limited and held a number of senior positions at Saatchi & Saatchi UK including Joint Chief Executive.

Peter Long became a director of the Company in April 2006. Mr Long is Chief Executive of TUI Travel Plc having been Chief Executive of First Choice Holidays plc since 1999 with which TUI AG merged in September 2007 forming TUI Travel Plc. He is also a non-executive director of Rentokil Initial plc. He established Sunworld Holidays Limited in 1991 and was Chief Executive of that business from 1991 to 1996. He is also a former director of RAC plc.

Dennis Millard became a director of the Company in April 2006 and is Chairman of the Audit Committee. Mr Millard is also Chairman of Smiths News plc and Halfords Group plc, and a non-executive director of Premier Farnell plc and Xchanging plc. His former appointments include Group Finance Director of Cookson Group plc, Finance Director of Medeva plc and non-executive director of Exel plc, Arc International and EAG Ltd. Mr Millard is a member of the South African Institute of Chartered Accountants.

Paul Pindar became a director of the Company in April 2006 and is Chairman of the Nomination Committee. He has been Chief Executive of the Capita Group plc since 1999 having joined Capita in 1987. He is currently Chairman of the Corporate Partnerships Board for Great Ormond Street Hospital.

5.2 **Senior Managers**

Nigel Palmer – Retail Operations Director

Nigel Palmer has been Retail Operations Director since 2002. Prior to this he was Sales and Operations Director and Design and Store Planning Director, responsible for store expansion. Mr Palmer was a Regional Sales Director and has managed seven different Debenhams stores since starting his career with Debenhams in 1984.

Nikki Zamblera – Human Resources Director

Nikki Zamblera joined Debenhams in 2004. From 2001 to 2004, she served as Vice President, Human Resources Europe for Polo Ralph Lauren (“PRL”), where she was also a director of each of PRL’s European companies. Prior to this, Ms Zamblera held a number of roles with Revlon International, including Vice President, HR International. Before Revlon, she worked for Selfridges Ltd.

Suzanne Harlow – Group Trading Director

Suzanne Harlow was appointed Group Trading Director in November 2008, having been Trading Director on Womenswear, Lingerie, Accessories, Health & Beauty since February 2005. Prior to that Ms Harlow was Buying & Merchandising Director of various divisions between March 1999 and February 2005. She joined Debenhams in 1994 and held various roles at Head of Buying level between 1996 and 1999. Prior to Debenhams, Ms Harlow worked at BHS.

Paul Eardley was appointed Company Secretary and General Counsel on 15 October 2007.

5.3 **Business address**

Each of the Directors’ and Senior Managers’ business address is the Company’s registered address at 1 Welbeck Street, London, W1G 0AA. Telephone: 020 7408 4444 or, when dialling from outside the United Kingdom, +44 20 7408 4444.

5.4 **Appointment of Directors by Principal Shareholders**

In a letter of 21 April 2006, the Company agreed with each of the CVC Shareholder Group and the TPG Shareholder Group that they may each appoint one non-executive Director to the Board of the Company for so long as they hold at least 10.0% of the Company’s issued share capital. As a result, the CVC Shareholder Group and TPG appointed Jonathan Feuer and Philippe Costeletos, respectively. Although the CVC Shareholder Group’s shareholding had since fallen below 10.0%, Jonathan Feuer remained in office until 3 June 2009.

As a result of the Capital Raising, both the CVC Shareholder Group and TPG will have a shareholding below the level at which they have a contractual right to appoint a Director. Accordingly, Jonathan Feuer and Philippe Costeletos tendered their resignations from the Board on 3 June 2009.

5.5 **Corporate governance**

The Company recognises the importance of, and is committed to, high standards of corporate governance. During the 2008 financial year and the current financial year, the only provision of the Combined Code that the Company has not complied with is the recommendation that at least half the board, excluding the Chairman, should comprise independent non-executive directors.

Following the appointment of Angela Spindler as an Executive Director on 4 February 2008, there were five independent Non-Executive Directors and six other directors, excluding the Chairman, on the Board of Directors. Angela Spindler resigned from the Board on 30 November 2008 and one of the independent Non-Executive Directors, Richard Gillingwater, resigned from the Board on 16 April 2009. As a result, between 4 February 2008 and 30 November 2008 and since 16 April 2009, at least half the Board has not comprised independent non-executive directors. The Board intends to appoint a further independent Non-Executive Director once a suitable candidate has been identified.

The Board of Directors, chaired by John Lovering, provides leadership to the Group within a framework of prudent effective controls. In accordance with good practice there is a schedule of matters reserved for its approval. The division of responsibilities between the Chairman and the Chief Executive is clear and is set out in writing and agreed by the Board. The principal responsibility of the Chairman is the effective running of the Board while the Chief Executive's responsibility is the operation of the business.

The Executive Directors are:

Rob Templeman	<i>Chief Executive</i>
Michael Sharp	<i>Deputy Chief Executive</i>
Chris Woodhouse	<i>Finance Director</i>

The Independent Non-Executive Directors are:

Adam Crozier	<i>Independent Non-Executive Director</i>
Peter Long	<i>Independent Non-Executive Director</i>
Dennis Millard	<i>Independent Non-Executive Director</i>
Paul Pindar	<i>Senior Independent Non-Executive Director</i>

In addition to the Directors, board meetings are attended by Nigel Palmer (Retail Operations Director), Nikki Zamblera (Human Resources Director), Suzanne Harlow (Group Trading Director) and the Company Secretary.

Audit Committee

The Audit Committee is chaired by Dennis Millard. The other members are Adam Crozier and Peter Long. Audit Committee meetings are also attended by the Finance Director, the Secretary, the Head of Risk Management, the external auditors and the Treasurer. The Company Secretary is Secretary to the Committee. The Committee assists the Board in fulfilling its responsibilities through monitoring the integrity of financial reporting; reviewing the systems of internal control and risk management; reviewing the effectiveness of the audit process and maintaining the relationship with the Company's auditors, PricewaterhouseCoopers LLP. The Audit Committee will normally meet not less than three times a year.

Nomination Committee

The Nomination Committee is chaired by Paul Pindar. The other members are John Lovering and Dennis Millard. The Company Secretary is Secretary to the Committee. The committee is responsible for making appropriate recommendations to the Board for the appointment of replacement or additional Directors. It is also responsible for succession planning, for reviewing board size, structure and composition, and for monitoring and approving the Directors' conflicts of interest. Appointments to the Board are made on merit and against objective criteria to ensure that the Board maintains the balance of skill, knowledge and experience required to lead and promote the success of the Company. The Nomination Committee meets when appropriate.

Remuneration Committee

The Remuneration Committee is chaired by Adam Crozier. The other members are Peter Long, Dennis Millard and Paul Pindar. The Company Secretary is secretary to the Committee. The Committee has responsibility for setting the remuneration of the Executive Directors, the Senior Managers and the Company Secretary, reviewing the appropriateness and relevance of the remuneration policy and administering all aspects of any share schemes in operation for senior

management. It also generates an annual remuneration report to be approved by the members of the Company at each annual general meeting. Deloitte & Touche LLP provides the Committee with independent advice on Directors' remuneration and share plans. The Remuneration Committee will normally meet not less than twice a year.

Model code

The Company operates a code of practice in dealing in the Ordinary Shares of the Company which mirrors the model code as published in the Listing Rules. The code applies to the Directors and other relevant employees of the Group.

- 5.6 The interests of the Directors and their immediate families, all of which (unless otherwise stated) are beneficial, in the issued share capital of the Company, together with such interests as are expected to subsist immediately following the Capital Raising, are as follows:

Name of Director	Shares beneficially held currently		Minimum number of Shares beneficially held immediately following the Capital Raising ⁽¹⁾		Maximum number of Shares beneficially held immediately following the Capital Raising ⁽²⁾	
	No.	%	No.	%	No.	%
<i>Directors</i>						
John Lovering	6,123,671	0.69%	6,123,671	0.48%	7,804,988	0.61%
Rob Templeman	13,558,769	1.53%	13,558,769	1.05%	17,281,470	1.34%
Chris Woodhouse	11,828,664	1.34%	11,828,664	0.92%	15,076,346	1.17%
Michael Sharp ⁽³⁾	5,854,579	0.66%	5,854,579	0.45%	7,462,014	0.58%
Adam Crozier	25,641	—% ⁽⁴⁾	25,641	—%	32,681	—%
Peter Long	51,282	—% ⁽⁴⁾	51,282	—%	65,362	—%
Dennis Millard	54,494	—% ⁽⁴⁾	54,494	—%	69,456	—%
Paul Pindar	238,481	—% ⁽⁴⁾	238,481	—%	303,958	—%
Total:	<u>37,735,581</u>	<u>4.27%</u>	<u>37,735,581</u>	<u>2.90%</u>	<u>48,096,275</u>	<u>3.70%</u>

Notes

- (1) Each of the Directors has indicated that he will not have a lower number of Existing Ordinary Shares as a result of sales of Existing Ordinary Shares to meet the cost of acquiring New Ordinary Shares in the Capital Raising at the Issue Price.
- (2) Assuming each Director (i) acquires New Ordinary Shares without selling any Existing Ordinary Shares to pay for such acquisition and (ii) such New Ordinary Shares are issued to the Director himself, not members of his family.
- (3) Mr Sharp's holding includes 218,904 Shares held by The Sharp Discretionary Settlement of which the Director is a Trustee.
- (4) Indicates a percentage holding of below 0.1%.

The Directors have the same voting rights as all other Shareholders.

- 5.7 The interests of the Directors together represent approximately 4.27% of the existing issued ordinary share capital of the Company and are expected to represent between 2.9% and 3.7% of the existing issued ordinary share capital of the Company immediately following the Capital Raising.
- 5.8 The Senior Managers have an interest in a total of 3,599,126 Existing Ordinary Shares (representing 0.31% of the existing issued ordinary share capital of the Company). All such shares are held beneficially, with Nigel Palmer holding 2,791,953 Existing Ordinary Shares, Nikki Zamblera holding 335,459 Existing Ordinary Shares and Suzanne Harlow holding 471,714 Existing Ordinary Shares.

- 5.9 The Directors and Senior Managers hold the following awards granted under the Debenhams Performance Share Plan as described in paragraph 11.1 of this Part 8. These awards vest over time subject to performance conditions, as described in paragraph 11.1(f) of this Part 8.

	Date of award	Number of Shares held currently	Market value on date of award	Earliest date of vesting
Rob Templeman	24 November 2006	165,611	196p	24 November 2009
Chris Woodhouse	24 November 2006	112,614	196p	24 November 2009
Michael Sharp	24 November 2006	104,665	196p	24 November 2009
Nigel Palmer	24 November 2006	70,617	196p	24 November 2009
	29 May 2007	208,955	134p	29 November 2010
	7 May 2008	336,328	64p	7 May 2011
Nikki Zamblera	24 November 2006	50,441	196p	24 November 2009
	29 May 2007	149,253	134p	29 May 2010
	7 May 2008	240,234	64p	7 May 2011
Suzanne Harlow	24 November 2006	116,330	196p	24 November 2009
	29 May 2007	172,108	134p	29 May 2010
	7 May 2008	184,687	64p	7 May 2011

- 5.10 In accordance with the rules of the Debenhams Share Plans, the Directors may make adjustments to the terms of outstanding options and awards to take account of the Open Offer.
- 5.11 Other than as disclosed in this paragraph and paragraph 11 below (“Employee share plans”), there are no persons to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.
- 5.12 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year, or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.13 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.
- 5.14 Save as set out in this Part 8, it is not expected that any Director will have any interest in the share or loan capital of the Company following the issue of New Ordinary Shares.

6 Interests of major Shareholders

- 6.1 Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3.0% or more of the Company’s existing issued ordinary share capital, and the amount of such person’s interest, as at 4 June 2009 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Shares	
	No.	%
TPG Shareholder Group	120,220,261	13.62%
Milestone Resources Group Ltd	89,183,155	10.10%
Bestinver Gestion, S.A.	87,681,083	9.93%
CVC Shareholder Group ⁽¹⁾	84,476,996	9.57%
Artemis Investment Management Ltd	45,285,465	5.13%
Brandes Investment Partners, L.P. (27.2% of holding held via unsponsored ADRs)	39,663,156	4.49%
Legal & General Group Plc	27,639,645	3.13%

- ⁽¹⁾ The Company has been informed that the CVC Shareholder Group has sold 51,000,000 Existing Ordinary Shares at the Issue Price, which will reduce its holding to 33,476,996 Existing Ordinary Shares (3.79% of the Company’s issued share capital).

- 6.2 Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.
- 6.3 None of the major Shareholders referred to above has different voting rights from other Shareholders.
- 6.4 Insofar as is known to the Company, immediately following the Open Offer, the interests of those persons set out above with an interest in 3.0% or more of the Company's existing issued ordinary share capital, and the amount of such persons' interests, including as a percentage of the Enlarged Issued Share Capital immediately following completion of the Open Offer (assuming no Firm Placed Shares are placed with such persons, assuming full take-up by such persons of their entitlements under the Open Offer, taking into account the sale of Existing Ordinary Shares by the CVC Shareholder Group and assuming that no options are granted under the Debenhams Share Plans or exercised between 4 June 2009 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raising), would be as follows:

Name	Shares	
	No.	%
TPG Shareholder Group	153,227,981	11.91
Milestone Resources Group Ltd	113,669,316	8.83
Bestinver Gestion, S.A.	111,754,834	8.68
CVC Shareholder Group	42,668,453 ⁽¹⁾	3.32
Artemis Investment Management Ltd	57,719,059	4.49
Brandes Investment Partners, L.P. (27.2 % of holding held via unsponsored ADRs)	50,553,087	3.93
Legal & General Group Plc	35,228,396	2.79

⁽¹⁾ This reflects CVC Shareholder Group's shareholding following its sale of 51,000,000 Existing Ordinary Shares on 4 June 2009.

- 6.5 The TPG Shareholder Group and the CVC Shareholder Group have confirmed their intention to vote in favour of the Capital Raising and have agreed to enter into customary lock up arrangements on their shareholdings for the duration of the open offer period. Their respective Board representatives have tendered their resignations from the Board with immediate effect.

7 Directors' service agreements and letters of appointment

7.1 *John Lovering – Chairman*

John Lovering's continued appointment as Chairman is subject to the terms of a letter of appointment agreed between him and the Company dated 13 January 2009. With effect from 1 January 2009, the Company has engaged John Lovering in his capacity as a partner of Lovering and Lovering, as an independent contractor. His appointment is terminable by either party giving not less than one month's written notice. The annual engagement fee is £250,000. The letter of appointment requires him to devote such time during normal business hours as is required to perform his duties as Chairman and anticipates a required time commitment of the equivalent of between two and four days per month.

Mr Lovering is subject to a confidentiality undertaking without limitation in time, and also to non-compete and non-solicitation restrictive covenants for a period of nine months following termination of his appointment. In addition, he is restricted from soliciting, enticing away, employing or engaging for a period of nine months following termination of his employment, any senior executive or employee of the Company.

Mr Lovering is permitted to hold the office of director or chairman of certain named companies provided that any such appointment does not interfere with his position at the Company. Mr Lovering is permitted under his letter of appointment to remain a passive investor in any non-competing business (as defined in the letter of appointment). In the event that he becomes aware of any conflict of interest that may arise with his other business interests, he must disclose these to the Board and, if required by the Board, agree to step down as Chairman.

7.2 *Executive Directors*

The Executive Directors have entered into service agreements with the Company (the “Service Agreements”). Details of the Service Agreements are set out below:

Name	Position	Annual salary	Date of Service Agreement
Rob Templeman	Chief Executive	£673,070	3 May 2006
Michael Sharp	Deputy Chief Executive	£540,000	3 May 2006
Chris Woodhouse	Finance Director	£457,678	3 May 2006

The salary of each Executive Director is reviewed annually by the Remuneration Committee.

Each of the Executive Director’s Service Agreements is terminable by either party giving not less than 12 months’ written notice. The Company reserves the right and discretion to pay the Executive Director in lieu of notice. If the Company terminates the employment of an Executive Director by exercising its right to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of the Executive Director’s basic salary for the notice period, the value of his contractual benefits for the notice period and an amount equal to the average of the annual bonus paid to the Executive Director in the two years prior to the termination of his or her employment. Where the Company terminates the employment of an Executive Director other than in accordance with the terms of his or her Service Agreement, the Company is required to make a liquidated damages payment to such Executive Director equal to the amount of his or her basic salary for the 12 months’ notice period. The Executive Director would also be entitled to a payment equal to the value of his contractual benefits for the notice period and an amount equal to the average of the annual bonus paid to the Executive Director in the two years prior to the termination of his or her employment.

The Executive Directors are entitled to an additional annual allowance equal to 15.0% of their annual salary in lieu of pension benefits.

Each of the Executive Directors is entitled to participate in the bonus arrangements operated by the Company from time to time. Such bonus arrangements will be determined at the sole discretion of the Remuneration Committee of the Company, save in respect of *pro rata* bonus payments should an Executive Director cease employment with the Company in specific circumstances. The maximum bonus entitlement for Executive Directors is 100% of annual basic salary.

Each of the Executive Directors is entitled to life assurance (a benefit of four times annual salary), medical insurance (for themselves and their family), and personal accident insurance and is entitled to a staff discount in accordance with the Company’s policy. Michael Sharp is also entitled to permanent health insurance. Each of the Executive Directors is entitled to the use of a car for business and private travel and the Company bears all related maintenance, insurance and fuel expenses.

The Executive Directors may elect to exchange their car benefits for their equivalent cash value (as determined by the Company), and Michael Sharp may also exchange all of his other contractual benefits for their cash equivalent.

Each of the Executive Directors is subject to a confidentiality undertaking without limitation in time, and also to non-compete and non-solicitation restrictive covenants for a period of nine months following termination of employment. In addition, they are restricted from soliciting, enticing away, employing or engaging any senior executive from the Company or any associated company, for a period of nine months following termination of their employment.

Rob Templeman and Chris Woodhouse are permitted to hold up to two non-executive directorships in non-competing companies and to retain payments received in respect of those other directorships. Chris Woodhouse, who is currently Group non-executive Chairman of Gondola Group Limited, retained fees of £150,000 in the financial year to 30 August 2008.

Michael Sharp is a deferred member of the Debenhams Executive Pension Plan. He has ceased to accrue benefits in the Debenhams Executive Pension Plan with effect from 31 March 2006. In return he received a salary supplement of 20% of his basic salary during the period 1 April 2006 to 2 November 2008. On his appointment as Deputy Chief Executive this supplement was reduced to 15%.

7.3 *Non-Executive Directors*

The Non-Executive Directors have each entered into a letter of appointment. Details of the letters of appointment are set out below:

Name	Position	Annual fee	Date of joining the Group	Date of letter of appointment
Adam Crozier . . .	Independent Non-Executive Director	£50,000	9 May 2006	18 April 2006
Peter Long	Independent Non-Executive Director	£45,000	9 May 2006	24 April 2006
Dennis Millard . .	Independent Non-Executive Director	£55,000	9 May 2006	10 April 2006
Paul Pindar	Senior Independent Non-Executive Director	£60,000	9 May 2006	19 April 2006

Each of the Non-Executive Directors is entitled to reimbursement of reasonable expenses incurred in the course of their duties and to directors' and officers' liability insurance cover. The appointments may be terminated by either party giving one month's notice and are subject to the provisions of the Company's Articles.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

In the financial year ended 30 August 2008 the aggregate of the total remuneration paid (including contingent or deferred compensation), and bonuses and benefits in kind granted (under any description whatsoever) to each of the Directors by members of the Group was £3,232,314. On the basis of the arrangements set out above in force at the date of this document, it is estimated that the aggregate remuneration payable and benefits in kind granted to the Directors for the financial year ending 29 August 2009 is expected to be £3.2 million, which excludes any amounts in respect of bonuses which may be payable to the Directors. This includes £540,000 paid to Angela Spindler, the former Managing Director, who left the Company on 30 November 2008. This payment was in accordance with her service agreement dated 3 December 2007.

8 Directors' and Senior Managers' remuneration

8.1 In addition to the options and awards under the Debenhams Share Plans disclosed in paragraph 11 of this Part 8, the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to Directors of the Company for services in all capacities to the Group by any person for the financial year ended 30 August 2008 was as follows:

Director	Salary/ fees (£)	Benefits (£)	Bonus (£) ⁽¹⁾	Annual Allowance in lieu of Pension (£)	Total 2008 (£)	Total 2007 (£)
John Lovering	250,000	—	—	—	250,000	250,173
Rob Templeman	673,070	30,792	134,614	100,961	939,437	789,706
Chris Woodhouse	457,678	22,726	91,536	68,652	640,592	538,251
Michael Sharp	425,375	37,937	85,075	85,075	633,462	534,818
Angela Spindler ⁽²⁾	311,538	10,747	62,307	46,731	431,323	n/a
Philippe Costeletos	40,000	—	—	—	40,000	40,000
Adam Crozier ⁽³⁾	45,000	—	—	—	45,000	45,000
Jonathan Feuer ⁽⁴⁾	40,000	—	—	—	40,000	40,000
Richard Gillingwater	62,500	—	—	—	62,500	62,500
Peter Long	45,000	—	—	—	45,000	45,000
Dennis Millard	55,000	—	—	—	55,000	55,000
Paul Pindar ⁽³⁾	50,000	—	—	—	50,000	50,000
TOTAL	2,455,161	102,202	373,532	301,419	3,232,314	2,450,448

Notes

- (1) The Directors received the 2007/2008 net bonus in shares.
- (2) Angela Spindler was appointed to the Board on 4 February 2008 and resigned from the Board on 30 November 2008. Philippe Costeletos was appointed to the Board on 24 April 2006 and resigned from the Board on 3 June 2009. Jonathan Feuer was appointed to the Board on 24 April 2006 and resigned from the Board on 3 June 2009.
- (3) This table shows data for the financial year ended 30 August 2008 and, unlike the table in paragraph 7.3 above, does not reflect the subsequent increase in the fees of Adam Crozier and Paul Pindar.
- (4) The fees of Jonathan Feuer are paid to CVC.

8.2 In addition to the options and awards under the Debenhams Share Plans disclosed in paragraph 11 of this Part 8, the aggregate remuneration (including any contingent or deferred compensation) and benefits in kind paid or granted to the Executive Directors (including Angela Spindler who was an Executive Director as at 30 August 2008) and the Senior Managers by the Company and its subsidiaries during the financial year ended 30 August 2008, for services in all capacities, was £4,187,831. The Company is not required to, and does not otherwise, publicly disclose remuneration of the Senior Managers on an individual basis.

8.3 Other than as set out in paragraph 7.2 of this Part 8, none of the administrative, management, or supervisory bodies' members' service contracts with the Company or any of its subsidiaries provide for the inclusion of a payment relating to annual bonus upon termination of employment.

9 Other directorships and partnerships

9.1 The Directors and Senior Managers are currently directors or partners or have been directors or partners of the following companies and partnerships in the past five years (not taking into account their directorships or partnerships with the Company and its subsidiaries and subsidiaries of any company listed below):

Name	Current directorships/partnerships	Previous directorships/partnerships
<i>Directors</i> John Lovering	New House Farm (Bodiam) Limited New House Leisure Limited Echelon Capital LLP Echelon Investments LLP Lovering & Lovering Dulwich College Enterprises Limited Dulwich College Enterprises Overseas Limited Myer PTY Limited NB Flinders Limited	Ermes Department Stores Limited Skillsmart Retail Limited Somerfield Limited Violet EquityCo Limited Somerfield Stores Limited Mediazest plc Halford Holdings Limited New House Cards Limited Greene King Neighbourhood Pub Holdings Limited The Laurel Pub Holdings Limited Laurel High Street Estate Pubs Limited Sapphire Food North East No.1 Limited The Fireplace Store Limited Aga Rangemaster Group PLC Fitness First Holdings Limited Northwharf Properties (Cherry) Limited Northwharf Investments (Cherry) Limited
Rob Templeman	None	Halfords Group plc
Chris Woodhouse	Gondola Group Limited	Halfords Group plc
Michael Sharp	None	None
Adam Crozier	Royal Mail Group plc Camelot Group plc Employers' Forum on Disability	
Peter Long	TUI Travel PLC Rentokil Initial plc The Close Film Sale and Leaseback (2003/4) No.2 LLP Beaumont Film Partnership LLP NRL Properties LLP	Sunworld Holdings Ltd RAC plc The Close Film Sale and Leaseback No.2 LLP
Dennis Millard	Xchanging UK plc Smiths News PLC Premier Farnell PLC Halfords Group plc	Cookson Group plc Exel plc EAG Limited

Name	Current directorships/partnerships	Previous directorships/partnerships
Paul Pindar	The Capita Group Plc	Design & Manage Europe Limited Urban Vision Partnership Limited
<i>Senior Managers</i>		None
Nigel Palmer	None	Acqui Polo SAS Acqui Polo Espana SL
Nikki Zamblera	Skillsmart Retail Limited Textile Industry Children's Trust	Acqui Polo (UK) Limited Polo FIN BV Polo Hold BV Polo Ralph Lauren Milan Italy Srl Polo Ralph Lauren Sourcing Italy Srl Textile Industry Children's Trust
Suzanne Harlow	None	None

10 Other information relating to the Directors and the Senior Managers

10.1 Details of the Directors and Senior Managers, their business addresses and their functions are set out in the section of this document entitled "Directors, Company Secretary and Advisers".

10.2 As at the date of this document none of the Directors or Senior Managers has within the last five years:

- (a) save as disclosed in paragraph 9.1 above (and excluding any directorships or partnerships with the Company and its subsidiaries and subsidiaries of any company listed in paragraph 9.1 above), been a director or partner of any companies or partnerships;
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent);
- (c) been adjudged bankrupt or entered into any individual voluntary arrangement;
- (d) been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;
- (e) been a partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (f) had his or her assets the subject of any receivership;
- (g) been a partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;
- (h) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- (i) been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

10.3 Save in their capacities as persons legally and beneficially interested in Shares, there are:

- (a) no potential conflicts of interest between any of the Directors' or Senior Managers' duties to the Company and their private interests and/or other duties; and
- (b) no arrangements or understandings with major Shareholders, members, suppliers or other parties, pursuant to which any Director or Senior Manager was selected.

11 Employee share plans (the "Debenhams Share Plans")

The Company currently operates the following share schemes for employees:

- (a) the Debenhams Performance Share Plan; and
- (b) the Debenhams 2006 Executive Share Option Plan.

At the time of the IPO the Company also adopted the following share schemes for employees:

- (c) the Debenhams Deferred Bonus Matching Plan;
- (d) the Debenhams 2006 Sharesave Scheme; and
- (e) the Debenhams 2006 Sharesave Scheme (Ireland),

however, no grants have been made under these three schemes.

In October 2008, the Company adopted the Debenhams 2008 Share Incentive Plan. No grants have been made under that scheme.

The Remuneration Committee has discretion to grant awards under any one, any combination or all of the Debenhams Share Plans in any year. When exercising its discretion to grant awards the Remuneration Committee will take into consideration the overall quantum and structure of the compensation package.

11.1 The Debenhams Performance Share Plan (the "PSP")

(a) General

The PSP is intended to facilitate the retention of senior executives of the Company and to align their interests with those of shareholders by enabling executives to receive Shares (the number of which is determined by the extent to which a corporate performance condition is achieved on vesting) provided that they remain employed in the Group for a period of three years from the date of grant.

(b) Eligibility

All employees and Executive Directors in the Company and its subsidiaries are eligible to participate in the PSP. The Remuneration Committee selects participants in the PSP.

The Company's current policy is that only a selected group of the Company's most senior executives are granted awards under the PSP.

(c) Grant of awards

Awards may be granted within 42 days following the announcement by the Company of its results for any period, or on any day on which the Remuneration Committee decides that exceptional circumstances exist which justify a grant.

No payment is required for the grant of an award. An award under the PSP comprises an option to buy Shares for nil or a nominal payment, or a contingent right to receive Shares, or an allocation of restricted Shares.

(d) Limit on individual participation

No awards may be granted to an individual in any financial year over Shares whose market value is greater than 200% of that individual's gross annual rate of salary at the date of grant, although the Remuneration Committee has a discretion, in exceptional

circumstances (which include recruitment), to grant, awards over Shares with a market value of up to 250% of gross annual salary at the date of grant. The market value will be determined by reference to the closing middle-market quotation for a Share as derived from the Daily Official List of the London Stock Exchange on the date of grant.

(e) *Vesting of awards*

An award will normally only vest on the third anniversary of the date of grant if and to the extent that the performance conditions to which it is subject (see below) have been satisfied, and if the participant is still employed (and has not given or been given notice) by a company in the Group at that time, and if the Committee is satisfied that the underlying financial performance of the Company over the performance period is sufficient to justify the vesting of the award. An award structured as an option will then remain capable of exercise for a period of six months (or, if the Company is in a prohibited period during this exercise period, the exercise period will be automatically extended by the length of the prohibited period). Awards structured as a contingent right to receive Shares will be released to the participant as soon as practicable after vesting.

(f) *Performance conditions*

All awards made under the PSP are subject to performance conditions set by the Remuneration Committee at the time awards are granted. The extent to which performance conditions are satisfied determines the percentage of the award that vests.

Awards granted during the financial years ending 1 September 2007 and 30 August 2008 under the PSP are subject to two performance targets. 50% of the award is based on the Adjusted Earnings Per Share (“EPS”) growth of the Company above the percentage increase in the Retail Prices Index (“RPI”) over a three year performance period, and the other 50% is based on the Company’s Total Shareholder Return (“TSR”) against the weighted TSR of the FTSE 350 General Retailers Index over a three year performance period. The weighted TSR is the aggregate of the TSR of each company in the FTSE 350 General Retailers Index weighted by their respective market capitalisations at the start of the relevant three year period. Unless both of the performance conditions are met at the end of the performance period, 50% or 100% (as appropriate) of the awards will lapse immediately without any opportunity to re-test the relevant performance conditions.

The performance period for both the EPS and the TSR performance conditions is the period of three financial years starting with the year in which the award is granted.

The table below sets out the performance conditions of awards made to date under the PSP:

Date of grant	Vesting criteria	Performance condition over three year period
9 May 2006 ⁽¹⁾ and 6 June 2006 ⁽²⁾	50% on EPS growth against RPI growth	Below RPI +14% pa = zero vesting RPI + 14% pa = 30% vesting RPI + 21% pa = 100% Between 14% and 21% pa = straight line basis between 30% and 100%
	50% on TSR against FTSE 350	Debenhams TSR is less than the weighted TSR = zero vesting Debenhams TSR is equal to the weighted TSR = 30% Debenhams TSR is \geq 12% above the weighted TSR = 100% Between the latter two points = straight line basis between 30% and 100%
24 November 2006	50% on EPS growth against RPI growth	Below RPI +7% pa = zero vesting RPI + 7% pa = 30% vesting RPI + 14% pa = 100% Between 7% and 14% pa = straight line basis between 30% and 100%
	50% on TSR against FTSE 350	Debenhams TSR is less than the weighted TSR = zero vesting Debenhams TSR is equal to the weighted TSR = 30% Debenhams TSR is \geq 12% above the weighted TSR = 100% Between the latter two points = straight line basis between 30% and 100%
29 May 2007	50% on EPS growth against RPI growth	Below RPI +3% pa = zero vesting RPI + 3% pa = 30% vesting RPI + 7% pa = 100% Between 3% and 7% pa = straight line basis between 30% and 100%
	50% on TSR against FTSE 350	Debenhams TSR is less than the weighted TSR = zero vesting Debenhams TSR is equal to the weighted TSR = 30% Debenhams TSR is \geq 12% above the weighted TSR = 100% Between the latter two points = straight line basis between 30% and 100%

Date of grant	Vesting criteria	Performance condition over three year period
4 February 2008 ⁽³⁾	50% on EPS growth against RPI growth	Below RPI +3% pa = zero vesting RPI + 3% pa = 30% vesting RPI + 8% pa = 100% Between 3% and 8% pa = straight line basis between 30% and 100%
	50% on TSR against FTSE 350	Debenhams TSR is less than the weighted TSR = zero vesting Debenhams TSR is equal to the weighted TSR = 30% Debenhams TSR is \geq 12% above the weighted TSR = 100% Between the latter two points = straight line basis between 30% and 100%

Notes

- (1) The awards granted in May 2006 and June 2006 have lapsed as the performance conditions attaching to those awards were not satisfied.
- (2) The grant in February 2008 was the award made to Angela Spindler. Angela Spindler left the Company in November 2008 and this award has lapsed.

The Remuneration Committee may amend the performance conditions if an event occurs that causes it reasonably to consider that the original performance conditions will not, without alteration, achieve their original purpose, provided that the Remuneration Committee acts fairly and reasonably, and that the amended conditions would, in the opinion of the Remuneration Committee, be materially no less demanding to satisfy than the original conditions as contemplated at the date of grant. Any such amendment will be disclosed in the Directors' remuneration report following the amendment.

The Remuneration Committee may set different performance conditions for future awards and may decide that different conditions should be applicable to different Executives' awards depending on their job function.

(g) *Cessation of employment*

An award lapses on the earlier of a participant giving, or being given, notice to terminate employment and the cessation of the participant's employment with the Group, unless the Remuneration Committee, in its discretion, determines otherwise.

Where the Remuneration Committee permits an award to continue, the Remuneration Committee may determine that the award will vest early to the extent to which the performance conditions have been achieved at the time of leaving, and will be pro-rated to take account of the proportion of the three year period since the date of grant which has elapsed at the date of leaving. Alternatively, the Remuneration Committee may determine that the award will continue until the vesting date at which time the award will vest to the extent to which the performance conditions have been achieved and, where the Remuneration Committee considers appropriate, will be pro-rated to take account of the proportion of the three year period since the date of grant which has elapsed at the date of leaving.

(h) *Change of control*

In the event of a takeover, scheme of arrangement or, if the Remuneration Committee so decides, on winding-up of the Company (not being an internal reorganisation) an award will vest early, to the extent that the performance conditions have been achieved up to the relevant event, and the award will be pro-rated to take account of the proportion of the

period since the date of grant which has elapsed. However, the Remuneration Committee has discretion to allow awards to vest to a greater or lesser extent as it considers appropriate, having regard to the circumstances of the change of control and the Company's financial performance to date. An internal reorganisation would not result in the accelerated vesting of any awards. Instead, awards would be replaced by new awards over Shares in the new holding company.

11.2 *The Debenhams 2006 Executive Share Option Plan (the "ESOP")*

(a) *General*

The ESOP allows the Company to grant options to acquire Shares to eligible employees. Options granted under the ESOP may either be Her Majesty's Revenue & Customs ("HMRC") approved options (up to the prescribed limit) or unapproved.

(b) *Grant period*

Options may be granted within the 42 days commencing on (i) the date of HMRC approval of the ESOP; (ii) the day of adoption of the ESOP by the Board; (iii) the day immediately following the day on which the Company makes an announcement of its results for any period; (iv) any day on which the Board resolves that exceptional circumstances exist which justify the grant of options; or (v) any day on which any change to the legislation affecting the HMRC-approved part of the ESOP is proposed or made.

(c) *Eligibility*

Under the ESOP, options are granted to any person who is an Executive Director or employee of the Company or a participating group company. Participants are selected on a discretionary basis.

(d) *Option price*

The option price is not less than (i) the middle-market quotation of a Share as derived from the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant and (ii) the nominal value of a Share (in the case of an option over Shares which are to be issued).

(e) *Individual limits*

The maximum market value of Shares over which options may be granted to an employee under the unapproved part of the ESOP in any financial year (as measured at the date of grant) is an amount equal to 100% of the employee's annual basic salary at the date of grant. However, the Remuneration Committee has discretion, in exceptional circumstances (which include recruitment), to grant awards over Shares with a market value in excess of this amount.

(f) *Performance conditions*

The exercise of the options is subject to performance conditions set by the Remuneration Committee at the time awards are granted. Options exercised under the ESOP are subject to the Adjusted Earnings Per Share ("EPS") growth of the Company increasing above the percentage increase in the Retail Prices Index ("RPI") over a three year performance period. There is no re-testing of the performance condition.

The table below sets out the performance conditions of awards made to date under the ESOP:

Date of grant	Vesting criteria	Performance condition over three year period
9 May 2006 and 6 June 2006	EPS growth against RPI growth	RPI \geq 14% pa = 100% vesting
24 November 2006	EPS growth against RPI growth	RPI \geq 7% pa = 100% vesting
29 May 2007 and 12 November 2007	EPS growth against RPI growth	RPI \geq 3% pa = 100% vesting
4 February 2008	EPS growth against RPI growth	Below RPI +3% pa = zero vesting RPI + 3% pa = 30% vesting RPI + 8% pa = 100% Between 3% and 8% pa = straight line basis between 30% and 100%

Notes

- (1) and (2) The options granted in May 2006 and June 2006 have lapsed as the performance conditions attaching to those awards were not satisfied.
- (3) The grant in February 2008 was the grant to Angela Spindler. Angela Spindler left the Company in November 2008 and these options have lapsed.

(g) *Exercise of options*

Options will normally only become exercisable on the third anniversary of the date of grant, subject to the satisfaction of the performance conditions, and remain exercisable until ten years after the date of grant.

(h) *Cessation of employment*

Options granted under both the approved and the unapproved parts of the ESOP will (except for options granted under the approved part of the ESOP if the participant is a “good leaver”) lapse on the earlier of the date on which the participant gives or is given notice terminating his or her employment, and the date of the cessation of a participant’s employment with the Group, unless the Remuneration Committee, in its absolute discretion, determines otherwise.

Where the Remuneration Committee permits an option to continue, it will become exercisable for a period to be determined by the Remuneration Committee. Options not exercised during the relevant period will lapse.

A participant will be a “good leaver” if he or she dies or his or her employment ends by reason of injury, disability, redundancy, retirement, or as a result of the sale of the business or subsidiary by which the participant is employed. On the occurrence of any of those events, approved options will become exercisable for a period of six months, providing the performance conditions have been satisfied, and then lapse. The number of Shares comprised in an option will be reduced if necessary to reflect the period of time elapsed between the date of grant and the date of cessation of employment.

(i) *Change of control*

In the event of a takeover, scheme of arrangement or voluntary winding-up of the Company, unexercised options will become exercisable providing the performance conditions have been satisfied, but reduced if necessary to reflect the period of time that has elapsed between the date of grant and the relevant event. The Remuneration Committee has discretion to allow options to be exercised over a greater number as it considers appropriate having regard to the circumstances of the change of control and the Company’s

financial performance up to the date of change of control. Alternatively, participants may be given the opportunity to exchange their options for equivalent options over shares in the acquiring company.

Options would not become exercisable on an internal reorganisation but would be rolled over into options over shares in the new holding company.

Provisions relating only to HMRC-approved options

HMRC-approved options are those satisfying the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003. These options are subject to the same provisions as summarised above, except that:

- an employee cannot be granted an approved option which would, at the time it is granted, enable the employee to acquire Shares under approved option schemes (which are not savings-related) exceeding the HMRC limit from time to time, which is currently £30,000; and
- any amendment to a key feature of the ESOP requires the prior approval of HMRC.

11.3 *The Debenhams Deferred Bonus Matching Plan (the “DBMP”)*

(a) *General*

At the date of this document, the DBMP is not operated by the Company.

Under the DBMP participants will be able to invest up to the full amount of their annual bonus (on an after-tax basis) in Shares. If the participant remains in service for three years, he or she will, subject to the satisfaction of performance conditions, be eligible to receive a matching share award (based on the pre-tax amount of the bonus that has been invested).

(b) *Eligibility*

All employees and Executive Directors of the Company and its subsidiaries will be eligible to participate in the DBMP. The Remuneration Committee will select participants in the DBMP.

(c) *Grant of awards*

Participants will be permitted to invest an amount not exceeding their full annual bonus (after deduction of tax due) in Shares (“Purchased Shares”). At the end of a three year holding period, the Purchased Shares will be released to the participant together with a number of additional Shares (“Matching Shares”) if certain conditions are met, including the performance conditions described below.

The pre-tax value of the Matching Shares at the date of the award will equal the pre-tax amount of the bonus that the participant has invested.

(d) *Performance conditions*

Matching Shares will only be released if and to the extent that performance conditions are satisfied over a three year performance period. The Remuneration Committee has yet to consider and determine what performance conditions will apply to awards under the DBMP, although it is intended that they be appropriately demanding and linked to the Company’s performance. The performance conditions applying to the release of Matching Shares under the DBMP will be described to shareholders in the Company’s annual report and accounts.

If the performance conditions are not met at the end of the performance period, the awards will lapse immediately and there will be no opportunity to re-test the performance conditions.

The Remuneration Committee may amend the performance conditions if an event occurs that causes it reasonably to consider that the original performance conditions will not, without alteration, achieve their original purpose, provided that the Remuneration Committee acts fairly and reasonably, and that the amended conditions would, in the

opinion of the Remuneration Committee, be materially no less demanding to satisfy than the original conditions as contemplated at the date of grant. Any such amendment will be disclosed in the directors' remuneration report following the amendment.

(e) *Cessation of employment*

If a participant leaves employment (or is given notice or gives notice terminating his or her employment), his or her entitlement to Matching Shares will automatically lapse unless the Remuneration Committee, in its discretion, determines otherwise. If a participant loses his or her entitlement to Matching Shares, he or she will retain his or her Purchased Shares.

If the Remuneration Committee has permitted a leaver to continue to participate in the DBMP, the leaver's investment in Purchased Shares will remain eligible for Matching Shares provided the Purchased Shares are held at the end of the relevant holding period and the performance conditions have been met. However, the number of Matching Shares will normally be pro-rated on the basis of the period of actual service completed within the holding period. Exceptionally (for example, if a participant is terminally ill), the Remuneration Committee may release Matching Shares early.

(f) *Change of control*

In the event of a takeover, scheme of arrangement or winding-up of the Company (not being an internal reorganisation) performance will be measured up to such date prior to the change of control as the Remuneration Committee concludes that the conditions can appropriately be applied, and awards will vest on the basis of performance up to the time of the change of control. The number of Matching Shares will normally be pro-rated to reflect the period of time that has elapsed between the date of grant and the date of the change of control. The Committee will have the discretion to adjust the vesting level if it considers that the performance conditions would have been met to a greater or lesser extent at the end of the full three year performance period.

An internal reorganisation to create a new holding company will not result in the accelerated vesting of awards; they will continue, subject to the performance conditions, to the end of the applicable holding period.

11.4 ***Debenhams 2006 Sharesave Scheme (the "Sharesave Scheme")***

(a) *General*

The Sharesave Scheme was adopted at the time of the IPO although it has never been operated by the Company as at the date of this document. The following information is therefore subject to the approval by HMRC, which would be sought prior to the operation of the Sharesave Scheme.

Under the Sharesave Scheme, employees may be granted an option to acquire Shares at a fixed exercise price. Employees are required to save each month into a savings account for a period of either three or five years, the proceeds of which savings account they may use to exercise the option. The employee will have a right to acquire the number of Shares which he or she can acquire at the exercise price using the savings in his or her savings account. A tax-free bonus is payable on the savings in the savings account on completion of the relevant savings contract. At the end of the savings period the employee may either exercise the option within six months of the end of the savings period, using the savings contributions and bonus which he or she has accumulated, or have the savings and bonus repaid to him or her.

(b) *Grant period*

Options may be granted within the 42 days commencing on (i) the date of HMRC approval of the Sharesave Scheme; (ii) the date of adoption of the Sharesave Scheme by the Board (iii) the day immediately following the day on which the Company makes an announcement of its results for any period; (iv) any day on which the Board resolves that exceptional

circumstances exist which justify the grant of options; or (v) any day on which any change to the legislation affecting savings-related share option schemes approved by HMRC is proposed or made.

(c) *Eligibility*

All eligible employees or Executive Directors of the Company and participating subsidiaries who have been employed for a minimum period (not exceeding five years) or have otherwise been nominated as eligible by the Board, are entitled to participate in the Sharesave Scheme. All employees eligible to participate must do so on similar terms, although that entitlement may vary by reference to levels of remuneration, length of service or any similar factors.

(d) *Employee contributions*

The maximum amount that an employee may save each month over the three year or five year period is £250 per month. The Board can impose a lower savings limit.

(e) *Option exercise price*

The option exercise price may be set at a discount (of up to 20%) to the market value of the Shares at the time of grant.

(f) *Cessation of employment*

A participant who ceases to be an employee of a member of the Group as a result of injury, disability, redundancy, retirement on or after the age of 60 or following a sale of the employing company or transfer of the employing business out of the Group, may exercise the option within six months after ceasing to be an employee. If a participant dies, his or her personal representative may exercise the option within twelve months of the earlier of the date of death or the bonus date of the option. If a participant ceases to be an employee of a member of the Group for any other reason, the option will lapse on cessation of employment.

(g) *Change of control*

In the event of a takeover, scheme of arrangement or voluntary winding-up of the Company, unexercised options will become exercisable for a limited period but only to the extent of the savings plus interest or bonus that has accumulated in the related savings account up to the date of exercise. Options which are not exercised will lapse. Alternatively, participants may be given the opportunity to exchange their options for equivalent options over Shares in the acquiring company.

11.5 ***Debenhams 2006 Sharesave Scheme (Ireland) (the “Irish Sharesave Scheme”)***

Under the Irish Sharesave Scheme, participants who are subject to tax in Ireland are entitled to tax relief on the exercise of options, provided certain conditions are met.

The Irish Sharesave Scheme was adopted at the time of the IPO although it has never been operated by the Company as at the date of this document. The following information is therefore subject to approval by the Irish Revenue Commissioners, which would be sought prior to the operation of the Scheme.

The provisions of the Irish Sharesave Scheme are the same as those of the Sharesave Scheme, save in the following respects:

- (a) only employees subject to tax in Ireland are eligible to participate;
- (b) the minimum period of service for the purposes of eligibility to participate must not exceed three years;
- (c) employee contributions may not exceed €320 per month; and
- (d) approval of the Irish Sharesave Scheme and any amendments to it is required from the Irish Revenue Commissioners.

11.6 *The Debenhams Retail Employee Trust 2004 (the “Trust”)*

The Trust is a discretionary employee benefit trust whose beneficiaries are employees and former employees of the Group and their families. The Trust was originally set up to satisfy share options under the Debenhams Employee Option Plan, which is now obsolete as it was a plan only used by the Company when it was a private company. The Trust currently holds 1,413,536 Shares in the Company which are held on trust for the benefit of employees of the Group.

<u>Movements in equity held by Trust pre IPO</u>	<u>Baroness Employee Limited Partnership (BELP) Ordinary Units</u>	<u>Shares</u>
3/9/04 Purchased from investors to establish Trust at £1 each	14,486.58	
31/1/05 Transfer from BELP	1,250.00	
31/1/05 Transfer from BELP	4,974.00	
4/3/05 Transfer from BELP	125.00	
14/4/05 Transfer from BELP	233.00	
30/4/05 Transfer from BELP	625.00	
24/05/06 Refinancing: Ordinary Units converted to Debenhams Shares		216,928
5/4/06 Bonus Issue 4:1		867,712
9/5/06 Share Split 9:1		9,761,760
Balance of Shares		10,846,400
<u>Movements in equity held by Trust post IPO</u>		<u>Shares</u>
Opening balance of shares		10,846,400
9/5/06 Options exercised on IPO		-8,699,610
9/5/06 Market purchase by Trust		1,000,000
5/6/06 Transfer from BELP		143,745
6/11/06 Market purchase by Trust		70,000
8/5/07 Transfer from BELP		335,505
9/5/07 Balance of Options exercised on anniversary of IPO		-3,592,438
7/12/07 Market purchase by Trust		1,309,934
Total shares held by Trust		<u>1,413,536</u>

11.7 *The Debenhams 2008 Share Incentive Plan (the “SIP”)*

The Company created the SIP in October 2008. To date the SIP has not been operated by the Company.

(a) *General*

The SIP is intended to facilitate the retention of senior executives of the Company and to align their interests with those of shareholders by enabling executives to receive Shares, provided that they remain employed in the Group for a period of 12 months from the date of grant.

(b) *Eligibility*

Any employee (excluding Executive Directors) selected by the Remuneration Committee.

The Company’s current policy is that only a selected group of the Company’s most senior executives will be granted options under the SIP.

(c) *Grant of options*

Options may be granted on or within 42 days following the announcement by the Company of its results for any period or on any day on which the Remuneration Committee decides that exceptional circumstances exist which justify a grant.

No payment will be required for the grant of an option.

(d) *Exercise of options*

An option may only be exercised during a period of six months commencing on the Vesting Date (the first anniversary of the date of grant) to the extent that the performance condition to which it is subject (see below) has been satisfied.

(e) *Performance condition*

All options made under the SIP will be subject to the option holder remaining in employment with a member of the Group throughout the vesting period (the period commencing on the date of grant and ending on the vesting date) and as at the vesting date.

(f) *Cessation of Employment*

An option will lapse if an option holder ceases to be an employee of a member of the Group for any reason (whether lawfully or unlawfully) on the earlier of the participant giving, or being given, notice to terminate employment, and the cessation of a participant's employment with the Group, unless the Remuneration Committee, in its discretion, determines otherwise.

Where the Remuneration Committee permits an option to continue, the Remuneration Committee may determine that the option will vest early and will be pro-rated to take account of the proportion of the 12-month period since the date of grant which has elapsed at the date of leaving, having regard to the performance of the option holder up to the date of leaving.

(g) *Change of control*

In the event of a takeover, scheme of arrangement or, if the Remuneration Committee so decides, on winding-up of the Company (not being an internal reorganisation), an option lapses immediately unless the Remuneration Committee decides otherwise. In which case an option will be pro-rated to take account of the proportion of the 12-month period since the date of grant which has elapsed at the date of change of control, having regard to the performance of the option holder up to the date of change of control.

11.8 *Provisions common to the Debenhams Share Plans*

(a) *Administration*

The Debenhams Share Plans are administered by the Remuneration Committee.

(b) *Limits on the issue of Shares*

The rules of the Debenhams Share Plans permit awards and options to be granted over Shares that are to be newly issued, or are held in the Company's treasury, or are purchased in the market or held in the Debenhams Retail Employee Trust.

To the extent that Ordinary Shares are to be issued to satisfy share awards and options granted under the Debenhams Share Plans:

- (i) no options or awards may be granted under the PSP, the DBMP, the ESOP or the SIP if it would cause the aggregate number of Shares that are capable of being issued pursuant to options and/or awards granted under the PSP, the DBMP, the ESOP or the SIP, when added to the number of Shares issued or issuable pursuant to rights to subscribe for Shares granted during the preceding ten years under the PSP, the DBMP, the ESOP, the SIP or any other discretionary executive share plan operated by the Company, to exceed 5% of the Company's issued ordinary share capital at the proposed date of grant; and
- (ii) no option or award may be granted under the Debenhams Share Plans if it would cause the aggregate number of Shares that are capable of being issued pursuant to options and/or awards granted under the Debenhams Share Plans when added to the number of Shares issued or issuable pursuant to rights to subscribe for Shares granted

during the preceding ten years under the Debenhams Share Plans or any other employee share plan operated by the Company, to exceed 10% of the Company's issued share capital at the proposed date of grant.

Treasury Shares will count as new issue Shares for the purposes of these limits. Shares under options or awards that have lapsed or been surrendered are excluded when calculating these limits. If options or awards are to be satisfied by a transfer of Existing Ordinary Shares, the percentage limits stated above will not apply. The Company does not currently hold any Shares in Treasury.

(c) *Rights attaching to Shares*

Any Shares allotted when an award or option vests or is exercised will rank equally with all other Shares of the Company in issue (except for rights arising by reference to a record date before their allotment).

(d) *Variation of capital*

In the event of any variation of the Company's share capital, including a capitalisation issue, a rights issue, a sub-division or consolidation of Shares, or a reduction in capital, or in the event of a demerger, payment of a capital dividend or similar event involving the Company, the Remuneration Committee may make the adjustments it considers appropriate to the number of Shares under option or comprised in an award granted under the Debenhams Share Plans and any option exercise price, subject to the approval of HMRC in the case of options granted under the Sharesave Scheme and HMRC-approved options granted under the ESOP and the Irish Revenue Commissioners in the case of options granted under the Irish Sharesave Scheme.

(e) *Participant's rights*

Benefits under the Debenhams Share Plans are not pensionable.

Options and awards granted under the Debenhams Share Plans are not transferable and may only be released to or exercised by the persons to whom they were granted, or their personal representatives.

(f) *Amendments*

The Remuneration Committee may, at any time, amend the rules of the Debenhams Share Plans, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares, terms of exercise (other than in respect of the performance conditions as described above), the rights attaching to the Shares acquired and the adjustment of awards. The approval of HMRC or, in the case of the Irish Sharesave Scheme, the Irish Revenue Commissioners, will also be required for any amendment to a key feature of the ESOP, the Sharesave Scheme and/or the Irish Sharesave Scheme.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to obtain or maintain HMRC approval of the ESOP or the Sharesave Scheme, or the approval by the Irish Revenue Commissioners to the Irish Sharesave Scheme, to benefit the administration of the Debenhams Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange-control or regulatory treatment for participants or for any company in the Group.

(g) *Termination*

The Debenhams Share Plans will terminate on the tenth anniversary of their adoption, or such earlier time as the Remuneration Committee may determine, after which time no further options or awards may be granted but the rights attaching to existing awards will not be affected.

12 Pension schemes

The Group operates defined benefit type pension schemes, being the Debenhams Executive Pension Plan (the “DEPP”) and the Debenhams Retirement Scheme (the “DRS”), the assets of which are held in separate trustee-administered funds. Both pension schemes were closed for future service accrual from 31 October 2006. The closure to future accrual will not affect the pensions of those who have retired, or the deferred benefits of those who have left service or opted out before 31 October 2006. Future pension arrangements are provided through a money purchase stakeholder plan or a defined contribution scheme for the employees in the Republic of Ireland.

The Group has agreed to contribute £5.3 million per annum from 1 April 2006 increasing by RPI from 1 April each year to fund past service benefits. The Group has also funded all administrative expenses incurred by the two pension schemes between 1 November 2006 and 30 August 2008 inclusive.

Actuarial valuations of the Group’s pension schemes using the projected unit basis were carried out at 31 March 2005 and have been updated at each relevant financial year end for the purposes of IAS 19 “Employee Benefits” by WatsonWyatt Limited, a qualified independent actuary. The 31 March 2008 actuarial valuation is complete and relevant data obtained by the actuary from this valuation was used in calculating the IAS 19 “Employee Benefits” valuation at 30 August 2008.

The result of the triennial valuation is that the rate of employer contributions payable under the agreed schedule of contributions will remain at the same level as agreed for the last three years until the effective date of the next valuation, 31 March 2011.

The DEPP has approximately 174 deferred and 81 pensioner members. The DRS has approximately 9,386 deferred and 6,131 pensioner members. The Stakeholder Plan has 3,717 active members. The Irish Scheme has 784 active members.

13 Subsidiaries and corporate structure

13.1 Corporate structure

The Company is the holding company of the Group.

13.2 Significant subsidiary and associated undertakings

The following table shows the significant subsidiaries and principal associated undertakings of the Group which the Company considers are likely to have a significant effect on the assessment of the Group’s assets and liabilities, financial position and profits and losses.

Each of the entities below is wholly owned, either directly or indirectly by the Company.

Subsidiaries

Name	Country of incorporation or residency	Registered office	Issued share capital	Percentage of ownership interest and voting power	Nature of business
Debenhams Group Holdings Limited	England and Wales	1 Welbeck Street, London W1G 0AA	372,121,110 Ordinary Shares of 10p each	100%	Holding company

Subsidiary undertakings

Name	Country of incorporation or residency	Registered office	Issued share capital	Percentage of ownership interest and voting power	Nature of business
Debenhams Retail plc	England and Wales	1 Welbeck Street, London W1G 0AA	178,498,152 Ordinary Shares of 25p each	100%	Department store retailing
Debenhams Retail (Ireland) Ltd	Ireland	54-62 Henry Street, Dublin 1, Ireland	2 Ordinary Shares of €1.25 each	100%	Department store retailing
Debenhams Properties Limited	England and Wales	1 Welbeck Street, London W1G 0AA	151,392,609 Ordinary Shares of £1 each	100%	Property investment

14 Property, plant and equipment

Debenhams' principal executive offices are located at 1 Welbeck Street, London. Debenhams leases its executive offices in London, its administrative centre in Taunton, its distribution centres and its stores. Lease terms are typically between 25 and 99 years, with upwards-only rent reviews every five years based on an assessment of the open market rental value of the property at the time of the review. In general, these leases contain industry standard terms, including requirements that Debenhams bears the cost of repairs and insurance for the leased facilities. Some of these leases contain clauses that require Debenhams to keep its premises open during the term of the lease. Also some leases provide for an additional revenue rent to be paid. Debenhams is likely to lease its new store properties.

The following are the principal establishments of the Group:

Location	Tenure	Rent	Term	Expiry date	Use
1 Welbeck Street, London W1G 0AA	Short leasehold	£1,430,000	38 years	31/07/2013	Head Office
91 Wimpole Street, London W1G 0EF	Short leasehold	£1,875,000	15 years	17/08/2013	Head Office
6th Floor, 33 Wigmore Street, London W1U 1QX	Short leasehold	£509,000	10 years	04/08/2013	Head Office
7th Floor, 33 Wigmore Street, London W1U 1QX	Short leasehold	£475,700	10 years	04/08/2013	Head Office
8th Floor, 33 Wigmore Street, London W1U 1QX	Short leasehold	£245,300	10 years	04/08/2009	Head Office
Bedford House, Park Street, Taunton, Somerset TA1 4DB	Short leasehold	£540,000	25 years	30/08/2015	Administrative Offices
Flaxley Road, Kingston Park, Peterborough PE2 9EN	Short leasehold	£2,120,000	25 years	25/07/2029	Distribution Centre
Lodge Way, Lodge Farm Industrial Estate, New Duston, Northampton NN5 7RA	Short leasehold	£450,000	25 years	13/12/2012	Distribution Centre
Barn Way, Lodge Farm Industrial Estate, New Duston, Northampton NN5 7US	Short leasehold	£290,000	12 years	24/12/2012	Distribution Centre
Unit 4 Mercury Drive, Brackmills Industrial Estate, Northampton NN4 7PN	Short Leasehold	£554,238	25 years	25/03/2014	Distribution Centre
334-348 Oxford Street, London W1C 1JG	Short leasehold	£8,485,562	35 years	25/03/2039	Department Store

15 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) (a) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are or may be material or (b) have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has any obligation or entitlement which is, or may be, material to the Company or any member of Group as at the date of this document:

15.1 *Placing Agreement*

Subject to the terms and conditions of the Placing Agreement, the Managers have agreed, severally, as agents of the Company, to use reasonable endeavours to procure placees for the Firm Placed Shares and for Open Offer Shares for which valid applications from Qualifying Shareholders are not received. The Underwriters have also agreed, severally, that in the event that placees are not found for all or any of such Firm Placed Shares the Managers shall, or in respect of the Open Offer Shares, the Underwriters shall be required to acquire as principal at the Issue Price, those Firm Placed Shares and Open Offer Shares for which placees have not been so obtained in proportion to their respective agreed proportions.

In respect of the Firm Placing, the Company has agreed to pay to the Managers a commission of 1.75% of the product of the Issue Price and the number of Firm Placed Shares. In respect of the Placing and Open Offer, the Company has agreed to pay to the Underwriters a commission of 1.75% and to the Placees a commission of 1.75%, in each case of the product of the Issue Price and the number of Open Offer Shares. In addition, the Company may, at its discretion, pay the Managers a discretionary broking fee of 0.5% of the product of the Issue Price and the number of New Ordinary Shares.

The Placing Agreement is conditional, amongst other things, on:

- (a) the Prospectus being approved by the UKLA in accordance with the Prospectus Rules and made available in accordance with the terms of this document;
- (b) the passing of the Resolutions (without amendment) at the General Meeting (and not, except with the prior written agreement of the Managers, at any adjournment of such meeting not on the same day);
- (c) Admission occurring not later than 8.00 a.m. on 26 June 2009 or such later time and/or date as the Company and the Joint Sponsors may agree (being not later than 8.00 a.m. on 24 July 2009); and
- (d) the Company having performed all of its obligations under the Placing Agreement which are to be performed on the date of the Placing Agreement or otherwise prior to Admission.

The Placing Agreement confers on the Joint Sponsors and the Managers the right to terminate their obligations prior to Admission if, amongst other things:

- (a) any statement contained in the offer documents relating to the Capital Raising (including this document) is or has become untrue, inaccurate or misleading in any respect, or any matter has arisen, which would, if the Capital Raising were made at that time, constitute a material omission from the offer documents relating to the Capital Raising; or
- (b) any of the representations, warranties or undertakings contained in the Placing Agreement or any matters contained in any certificate given pursuant to the Placing Agreement is not or has ceased to be true and accurate in any respect by reference to the facts and circumstances at that time or that a matter has arisen which might reasonably be expected to give rise to a claim under the indemnity given by the Company under the Placing Agreement; or
- (c) in the opinion of any Joint Sponsor or Manager (acting jointly or separately), a material adverse change occurs in respect of the Company or any other member of the Group;
- (d) a matter arises which would require the publication of a supplementary prospectus or a supplementary prospectus has been published or is due to be published by the Company prior to Admission; or
- (e) there is a change in national or international financial, political, economic or stock market conditions, an act of terrorism or outbreak of hostilities, or a material adverse change, as would in the judgment of any Joint Sponsor or Manager (acting jointly or separately), be impracticable or inadvisable to proceed with the Capital Raising.

Pursuant to the Placing Agreement, the parties have agreed that if a supplementary prospectus is published by the Company two or fewer Business Days prior to the latest date for acceptance and payment, the period within which the Managers shall be required to perform their obligations under the Placing Agreement shall be extended so as to end at the expiry of the interval after the date of publication of the relevant supplementary prospectus.

The Placing Agreement also contains:

- (a) certain customary warranties by the Company as to the accuracy of the information in the offer documents relating to the Capital Raising, including this document and in relation to other matters relating to the Group and its businesses;
- (b) customary indemnities from the Company in favour of the Joint Sponsors and the Managers; and
- (c) certain undertakings from the Company relating, amongst other things, to consultation with, and the provision of information to the Joint Sponsors and the Managers. These include an undertaking from the Company not, without the prior written consent of the Managers for a period of 90 days following Admission, to issue or grant options over further shares of the Company or enter into any transaction that transfers the economic consequence of ownership of the shares of the Company (other than in respect of the New Ordinary Shares to be issued, any Shares issued pursuant to exercise of options outstanding at the date of the Placing Agreement and described in this document and any shares of the Company issued or options to subscribe for shares of the Company granted pursuant to existing employee benefit plans of the Company described in this Prospectus).

15.2 *Subscription and Transfer Agreements*

In connection with the Capital Raising, the Company, Kylie (Jersey) Limited and the Newco Subscriber, among others, have entered into several agreements, each dated 4 June 2009, in respect of the subscription for and transfer of ordinary shares and redeemable preference shares in Kylie (Jersey) Limited. Under the terms of these agreements:

- (a) the Company and the Newco Subscriber have agreed to subscribe for ordinary shares in Kylie (Jersey) Limited and enter into put and call options in respect of the ordinary shares in Kylie (Jersey) Limited subscribed for by the Newco Subscriber, that are exercisable if the Capital Raising does not proceed;
- (b) payments from Qualifying Shareholders taking up New Ordinary Shares under the Capital Raising shall be held by the Receiving Agent in accordance with the terms of the Receiving Agent Agreement for the purpose of enabling the Newco Subscriber to subscribe for redeemable preference shares in Kylie (Jersey) Limited of an aggregate value equal to such Capital Raising monies, after deduction of the amount of the commissions referred to above, together with any relevant amounts in respect of any New Ordinary Shares acquired by the Managers or for which the Managers have procured acquirers pursuant to the Placing Agreement (after deducting relevant commissions and/or expenses); and
- (c) the Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of the Newco Subscriber transferring its holding of redeemable preference shares and ordinary shares in Kylie (Jersey) Limited to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Capital Raising the Company will own the entire issued ordinary and redeemable preference share capital of Kylie (Jersey) Limited, whose only assets will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Capital Raising. The Company will be able to utilise this amount equivalent to the Capital Raising proceeds by exercising its right of redemption over the redeemable preference shares it holds in Kylie (Jersey) Limited and, during any interim period prior to redemption, by procuring that Kylie (Jersey) Limited lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against the Newco Subscriber pursuant to these arrangements. The Company will be responsible for enforcing the Newco Subscriber's obligations under these arrangements.

15.3 *Credit Agreement*

The Company as borrower and guarantor entered into a credit facility agreement dated 19 April 2006 with, among others, The Royal Bank of Scotland plc, Bank of Scotland PLC, Lloyds TSB Bank plc and Barclays Bank PLC as mandated lead arrangers (the "Credit Agreement").

The Credit Agreement was amended on 28 November 2007 to provide increased headroom under the financial covenants described below. The Company has entered into a further supplemental agreement (the "Supplemental Agreement") pursuant to which certain amendments will be made to the terms of the Credit Agreement. The Supplemental Agreement will become effective when proceeds of at least £200 million are received by the Company in connection with the Capital Raising and upon payment of all applicable fees by the Company to the lenders.

The principal terms of the Credit Agreement (as amended on 28 November 2007) are described below. The principal terms of the Credit Agreement as they will be amended pursuant to the Supplemental Agreement are set out under "Supplemental Agreement" below.

The Credit Agreement provides for senior facilities which on the date of the Credit Agreement had a maximum aggregate principal amount of £1,350 million (the "Credit Facilities"), consisting of a £1,050 million term loan (the "Term Loan Facility") and a £300 million multicurrency revolving facility (the "Revolving Facility"). Due to scheduled amortisation payments the principal amount outstanding under the Term Loan Facility has reduced to £850 million and due to a voluntary cancellation the maximum aggregate amount of the Revolving Facility has reduced to £250 million.

The final maturity of each of the Term Loan Facility and the Revolving Facility is 19 April 2011. The Term Loan Facility is fully drawn and the Revolving Facility is available for working capital requirements and general corporate purposes. It is capable of being utilised by way of redrawable loans and letters of credit.

Interest rates and fees

Utilisations under the Credit Agreement will bear interest for each interest period at a rate per annum equal to LIBOR or EURIBOR plus a margin and any mandatory costs.

The margin on the Credit Facilities is subject to a margin "ratchet". The initial margin was 1.10% per annum. Pursuant to the ratchet, the margin is adjusted as the Company (on a consolidated basis) attains certain ratios of consolidated total net debt to consolidated EBITDA, from a maximum margin of 1.375% per annum to a minimum margin of 0.50% per annum. Any change in the margin takes effect from the last day of the period to which the relevant quarterly margin certificate relates.

A commitment fee is payable on the undrawn portion of the Credit Facilities at a rate of 35% of the applicable margin per annum. Customary up-front fees were paid to the lenders for making the Credit Facilities available, and an agency fee, issuing bank fee and customary fees for letters of credit issuance are also payable.

Guarantees

The Company is required to have its material subsidiaries (being those contributing 5% or more of the consolidated EBITDA or gross assets of the Company and its subsidiaries) provide guarantees and, if necessary, to have other subsidiaries provide guarantees, such that the aggregate of the unconsolidated EBITDA of the guarantors represents at least 80% of the consolidated EBITDA of the Company and its subsidiaries.

Covenants

The Credit Agreement requires the Company and certain subsidiaries to observe certain undertakings, including undertakings relating to delivery of financial statements, shareholder documents, details of material litigation, insurances, authorisations being obtained and maintained, compliance with laws (including environmental laws), payment of material taxes, hedging and *pari passu* ranking.

The Credit Agreement requires the Company and material subsidiaries (as described above) to comply with certain negative covenants, including covenants restricting to creation of security, financial indebtedness, guarantees, disposals, loans, acquisitions and joint ventures, and changes in business.

In addition, the Credit Agreement requires the Company to comply with two financial covenants: (i) a minimum fixed charge cover ratio (calculated as consolidated EBITDAR divided by the sum of consolidated net rent and consolidated net interest payable); and (ii) a maximum leverage ratio (calculated as consolidated total net debt divided by consolidated EBITDA). These financial covenants are tested every six months on a last twelve months rolling basis.

Maturity and amortisation

The Term Loan Facility is to be repaid as follows: £150 million on 30 May 2010 and the balance in full on 19 April 2011. The Revolving Facility will cease to be available from one month prior to 19 April 2011.

Prepayment

The Credit Facilities are required to be prepaid in full, immediately upon the occurrence of certain events, including a change of control (as defined in the Credit Agreement). Subject to an indemnity for broken funding costs, a borrower may prepay amounts outstanding under the Credit Agreement, without penalty or premium (except for certain break costs), in whole or in part, in minimum amounts of £1 million, upon three business days' notice to the facility agent. Any prepayment shall be made with accrued interest on the amount prepaid. Prepaid amounts under the Term Loan Facility may not be redrawn.

Events of default

The Credit Agreement contains certain events of default, including events relating to failure to pay, misrepresentation, cross-default, breach of certain undertakings, breach of certain financial covenants, insolvency and insolvency proceedings, material adverse change and change of ownership of obligors.

15.4 Supplemental Agreement

The Supplemental Agreement entered into by the Company will, when effective, amend certain of the terms and conditions of the Credit Agreement. The effectiveness of the amendments to the terms and conditions of the Credit Agreement contemplated by the Supplemental Agreement is conditional upon proceeds of at least £200 million being raised in connection with the Capital Raising and upon payment of all applicable fees by the Company to the lenders.

The principal amendments to the terms and conditions of the Credit Agreement pursuant to the Supplemental Agreement are:

- the financial covenants will be amended to provide greater headroom until final maturity and now comprise (i) a minimum fixed charge cover ratio (calculated as consolidated EBITDAR divided by the sum of consolidated net rent and consolidated net interest payable) of 1.60:1 and (ii) a maximum leverage ratio (calculated as consolidated total net debt divided by EBITDA) of 3.75:1. Both financial covenants will be tested every quarter on a last twelve months rolling basis;

- the margin over LIBOR/EURIBOR in respect of the Credit Facilities will be increased to 3.00% per annum until October 2009 and thereafter will be subject to a margin ratchet and will be in a range of 2.50% to 3.25% per annum, depending on the leverage ratio. The margin will be 3.25% if an event of default is outstanding;
- utilisation of the Revolving Facility by way of letters of credit will be subject to an aggregate maximum amount of £35 million;
- the negative covenant on acquisitions has been amended to permit acquisitions of companies and/or businesses which are EBITDA-positive, which are financed solely with the proceeds of any issue of new equity (including the proceeds of the Capital Raising) and which comply with a maximum pro forma leverage ratio of 3.00:1 immediately after completion of the relevant acquisition;
- the commitment fee payable on the undrawn portion of the Credit Facilities will increase to 40% of the applicable margin per annum;
- in connection with the amendment, the Company has agreed to pay one-off up front fees equivalent to 58 basis points on the existing debt facilities.

15.5 *Framework Agreement*

On 22 February 2005, The British Land Company PLC (“British Land”) (indirectly through its wholly-owned subsidiary Delta Retail Properties Limited) acquired a shareholding in and full voting control of the Debenhams Group companies which owned the 23 properties, the terms and conditions of which are set out in a Framework Agreement dated 11 February 2005 between Baroness Holdings UK Limited, British Land and certain other indirect subsidiaries of Baroness Holdings UK Limited.

The Framework Agreement granted British Land the right to acquire full ownership of the property holding companies in 2011. The Group has the right to require British Land to acquire full ownership of the property holding companies (if they have not already exercised their right) in 2012.

15.6 *Appointment of Directors by Principal Shareholders*

In a letter of 21 April 2006, the Company agreed with each of the CVC Shareholder Group and the TPG Shareholder Group that they may each appoint one non-executive Director to the Board of the Company for so long as they hold at least 10% of the Company’s issued share capital. Jonathan Feuer and Philippe Costeletos, the individuals appointed pursuant to this letter, each resigned from the Board on 3 June 2009.

16 **Related party transactions**

Save as disclosed in paragraph 15.6 of this Part 8 above, since 3 September 2005, the Company has not entered into any related party transactions for the purposes of the Prospectus Rules.

17 **UK Taxation**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Ordinary Shares. Prospective acquirers of New Ordinary Shares are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of New Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of their Shares as well as any dividends paid on

them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective acquirers of New Ordinary Shares who are in any doubt about their taxation position, or who may be subject to tax in a jurisdiction other than the UK, are strongly advised to consult their own professional advisers.

17.1 *Taxation of chargeable gains*

(a) *UK tax resident Shareholders*

(i) New Ordinary Shares acquired pursuant to the Open Offer

The published practice of HMRC to date has been to treat an acquisition of Shares by an existing Shareholder up to his or her *pro rata* entitlement pursuant to the terms of an open offer as a reorganisation of the share capital of the Company. However, it is understood that HMRC may not apply this practice in circumstances where an open offer is not made to all Shareholders. The issue of New Ordinary Shares pursuant to the Open Offer may therefore not be regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains (“CGT”).

To the extent that the issue of New Ordinary Shares under the Open Offer is regarded as involving a reorganisation of the share capital of the Company, then a Qualifying Shareholder who acquires New Ordinary Shares up to the level of his Open Offer Entitlement will not be regarded as making any disposal of his Existing Ordinary Shares. Instead the New Ordinary Shares acquired by the Qualifying Shareholder and the Existing Ordinary Shares in respect of which they are issued will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Ordinary Shares. The amount paid for the New Ordinary Shares will be added to the base cost of the Existing Ordinary Shares when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Shares, the amount paid will generally be taken into account only from the time that the payment was made. In the case of non-corporate Shareholders, indexation allowance is not available.

If, or to the extent that, the issue of New Ordinary Shares under the Open Offer is not regarded as a reorganisation of the share capital of the Company, the New Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for CGT purposes, be treated as having been acquired separately from the Existing Ordinary Shares. It is not expected that any liability to CGT will arise in respect of that acquisition. Subject to specific rules for acquisitions on the same day and within 30 days of disposal for individual shareholders and within specified periods either side of disposal and for pre-1982 holdings held by corporate Shareholders, the Existing Ordinary Shares and New Ordinary Shares will be treated as a single “pooled” asset, the base cost of which will be the aggregate of the amount paid for the New Ordinary Shares and the base cost of the Existing Ordinary Shares.

(ii) New Ordinary Shares acquired pursuant to the Placing and Firm Placing

The issue of New Ordinary Shares under the Placing and Firm Placing will not constitute a reorganisation of the share capital of the Company for CGT purposes and, accordingly, any New Ordinary Shares acquired pursuant to the Placing and Firm Placing will be treated as acquired separately from any Existing Ordinary Shares held.

(iii) Disposals

If a Shareholder sells or otherwise disposes of all or some of the New Ordinary Shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

In the case of a corporate Shareholder, indexation allowance may be available for the purpose of reducing any chargeable gain.

Individuals, trustees and personal representatives will (subject to any exemptions, reliefs, and/or allowable losses which are available to the Shareholder) be subject to tax on any gains arising at the rate of 18%, with no taper relief or indexation allowance.

(b) *Non-UK tax resident Shareholders*

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not generally be subject to CGT on a disposal of New Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of all or part of his or her New Ordinary Shares during that period may be liable to CGT on his or her return to the UK, subject to available exemptions or reliefs.

17.2 *Taxation of dividends*

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it may make.

Liability to tax on dividends will depend on the individual circumstances of the Shareholder:

(a) *Individuals*

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against his or her total income tax liability on the dividend. An individual Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the gross dividend) which will generally be regarded as the top slice of the individual's income. The tax credit will be equal to 10% of the gross dividend, i.e. the tax credit will be one-ninth of the amount of the cash dividend received.

A UK resident Shareholder who is liable to income tax at a rate or rates not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at the rate (currently) of 32.5% but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for additional income tax equal to 22.5% of the gross dividend (which is also equal to one quarter of the net cash dividend received) to the extent that the gross dividend, when treated as the top slice of his or her income, falls above the threshold for higher rate income tax. Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC.

The UK Government has announced proposals to introduce, with effect from 6 April 2010, a new tax rate of 50% on income above £150,000. On and after the date on which the new rate takes effect, if and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 50% rate, that individual will be subject to tax on the gross dividend at the rate of 42.5%. If the new rate of tax is applied in the same way as the existing rates, that individual would be able to get the tax credit set off against part of his liability and the effect of that set-off would be that such individual

would have to account for additional tax equal to 32.5% of the gross dividend (which is also equal to 36 and one-ninth % of the cash dividend received), to the extent that the gross dividend fell above the threshold for the new 50% rate of income tax.

(b) *Companies*

Under current UK tax law, a corporate Shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate Shareholders will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

Under current UK Government proposals there will be significant changes to the tax treatment of dividends received by Shareholders within the charge to corporation tax with effect from 1 July 2009. The proposed legislation would remove the current blanket exemption from corporation tax which generally applies to a dividend paid by one UK resident company to another and replace it with more limited classes of exemptions. Based on the draft legislation in its current form (which has not yet been finalised), it appears likely that dividends paid on the New Ordinary Shares to UK resident corporate shareholders would generally (subject to anti-avoidance rules) fall within one or more of the classes of dividend qualifying for exemption from corporation tax. Shareholders within the charge to corporation tax are advised to consult their independent professional tax advisers in relation to the implications of the legislation, once finally enacted.

(c) *Non-resident*

Shareholders resident outside the UK for tax purposes will not generally be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

The entitlement of a Shareholder who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any applicable double tax treaty between the UK and the jurisdiction in which the Shareholder is resident. A Shareholder resident outside the UK for tax purposes may also be subject to foreign taxation on dividend income under the law of the relevant foreign jurisdiction, and should consult his or her own tax adviser regarding his or her tax liabilities on dividends received from the Company.

(d) *Pension Schemes*

Other UK resident Shareholders who are not liable to UK tax on dividends, including pensions schemes and charities to the extent that the income is applied for charitable purposes, will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

17.3 ***UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)***

(a) *The Firm Placing and the Placing and Open Offer*

No stamp duty or SDRT will be payable on the issue of New Ordinary Shares pursuant to the Firm Placing, or the Placing or Open Offer, other than as explained below.

(b) *Subsequent transfers*

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest), provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value

of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(c) *Shares held through CREST*

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

(d) *Shares held through Clearance Systems or Depositary Receipt Arrangements*

Where Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT or stamp duty. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5% of the amount or value of consideration given) to apply to issues or transfers of Shares into, and to transactions within, such services, instead of the higher rate of 1.5% generally applying to an issue or transfer of Shares into the clearance service, and instead of the exemption from SDRT on transfers of Shares while in the service.

A recent European Court of Justice Advocate General's opinion in *HSBC Holdings plc v HMRC* indicates that this 1.5% charge on putting UK shares into clearance services is contrary to EU law, at least in certain circumstances. The 1.5% charge in relation to depositary receipt arrangements may also be affected. Accordingly, specific professional advice should be sought before paying the 1.5% charge.

The statements in this paragraph apply to any holders of Shares irrespective of their residence, summarise the current position, and are intended as a general guide only. Special rules apply to agreements made by, among others, intermediaries.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE OPEN OFFER ENTITLEMENTS AND OPEN OFFER SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

18 US federal income taxation

18.1 General

The following is a summary based on present law of certain US federal income tax considerations relevant to the receipt, exercise and disposition of Open Offer Entitlements pursuant to the Open Offer and to the purchase, ownership and disposition of Open Offer Shares. This summary addresses only a US Holder (as defined below) that receives the Open Offer Entitlements with respect to Existing Ordinary Shares and purchases Open Offer Shares as part of the Open Offer, holds the Open Offer Entitlements and any Existing Ordinary Shares and will hold the Open Offer Shares as capital assets and uses the US dollar as its functional currency. The discussion is a general summary only; it is not a substitute for tax advice. This summary does not purport to be a comprehensive description of all tax considerations that may be relevant to particular investors

in light of their particular circumstances. This summary does not address the tax treatment of US Holders subject to special US federal income tax rules, such as banks, dealers, traders in securities that elect mark-to-market treatment, insurance companies, tax-exempt entities, retirement plans, real estate investment trusts, regulated investment companies, US expatriates, persons that own (or are deemed to own for US federal income tax purposes) 10% or more of the Company's voting stock, persons holding Open Offer Shares as part of a hedge, straddle, conversion or other integrated financial transaction, persons resident in the United Kingdom and persons holding Existing Ordinary Shares, Open Offer Entitlements or Open Offer Shares through a permanent establishment or fixed base outside of the United States. The discussion does not address US state and local or non-US tax considerations.

THE STATEMENTS ABOUT US FEDERAL INCOME TAX ISSUES CONTAINED IN THIS DOCUMENT ARE MADE TO SUPPORT MARKETING OF THE OPEN OFFER ENTITLEMENTS AND OPEN OFFER SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID US FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF THE RECEIPT, EXERCISE AND DISPOSITION OF OPEN OFFER ENTITLEMENTS AND THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OPEN OFFER SHARES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAXATION.

For the purposes of this summary, a "US Holder" is a beneficial owner of Open Offer Entitlements or Open Offer Shares that is for US federal income tax purposes (i) a citizen or an individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) created in or organised under the laws of the United States or its political subdivisions, (iii) an estate, the income of which is subject to US federal income taxation without regard to its source or (iv) a trust subject to the control of a US person and the primary supervision of a US court.

The tax consequences to a partner in a partnership receiving or exercising Open Offer Entitlements or purchasing, owning and disposing of Open Offer Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships should consult their own tax advisers about the US federal income tax consequences to their partners of receiving, exercising and disposing of Open Offer Entitlements and of acquiring, owning and disposing of Open Offer Shares.

US Holders should note that the discussion above entitled "UK Taxation" is also relevant. See in particular the discussions of UK stamp duty and stamp duty reserve tax in paragraph 17.3 ("UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)") above.

The Company believes, and the following discussion assumes, that the Company is not and will not become a passive foreign investment company ("PFIC") for US federal income tax purposes. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

18.2 *Open Offer Entitlements*

Receipt

A US Holder should be entitled to treat the receipt of Open Offer Entitlements as a non-taxable distribution with respect to its Existing Ordinary Shares, and the following discussion assumes the distribution is not taxable. Were the distribution to be treated as taxable, the holder generally would recognise dividend income equal to the fair market value of the Open Offer Entitlements.

If the fair market value of Open Offer Entitlements when received is at least 15% of the fair market value of the Existing Ordinary Shares, the Open Offer Entitlements will have no tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Ordinary Shares to the Open Offer Entitlements in proportion to the relative fair market values of

the Existing Ordinary Shares and the Open Offer Entitlements on the date Open Offer Entitlements are received. A US Holder must make this election in a statement attached to its tax return for the taxable year in which it receives the Open Offer Entitlements.

If the fair market value of Open Offer Entitlements when received is 15% or more than the fair market value of the Existing Ordinary Shares, a US Holder must allocate its adjusted tax basis in its Existing Ordinary Shares between the Existing Ordinary Shares and the Open Offer Entitlements in proportion to their relative fair market values on the date Open Offer Entitlements are received.

Exercise

A US Holder will not recognise taxable income when it receives Open Offer Shares by exercising Open Offer Entitlements. The holder's tax basis in the Open Offer Shares will equal its tax basis, if any, in the Open Offer Entitlements exercised plus the US dollar value of the pounds sterling exercise price of the Open Offer Entitlements on the acquisition date (or in the case of cash basis and electing accrual basis taxpayers, the settlement date).

If a US Holder uses previously acquired pounds sterling to pay the subscription price for the Open Offer Shares, any currency gain or loss that it recognises on the exchange of the pounds sterling for Open Offer Shares will generally be US source ordinary income or loss.

Expiration

If a US Holder allows Open Offer Entitlements to expire without exercising them, the Open Offer Entitlements should be deemed to have no tax basis. The holder therefore should recognise no loss upon the expiration of the Open Offer Entitlements. Any tax basis that was allocated from Existing Ordinary Shares to the Open Offer Entitlements would revert to and remain with the Existing Ordinary Shares.

18.3 ***Open Offer Shares***

Dividends

The gross amount of any distributions on the Open Offer Shares generally will be includable in the gross income of a US Holder as ordinary dividend income when actually or constructively received. The dividends will generally be treated as foreign source income for US foreign tax credit limitation purposes. The dividends will not be eligible for the dividends-received deduction generally available to US corporations in respect of dividends received from other US corporations.

Provided that Company is not a PFIC in the year of distribution or in the immediately preceding taxable year and is eligible for benefits under the income tax treaty between the United States and the United Kingdom ("US-UK Treaty"), dividends should qualify for the special reduced tax rate available to non-corporate US Holders that meet certain eligibility requirements (including holding period) in respect of qualified dividend income received in taxable years beginning before 1 January 2011. The Company believes that it will qualify for benefits under the US-UK Treaty. In computing foreign tax credit limitations, non-corporate US Holders whose dividends have borne tax at the reduced rate on qualified dividend income may take into account only the portion of the qualified dividend income effectively taxed at the highest applicable marginal rate. US Holders will not be permitted to a foreign tax credit for any UK stamp duty or stamp duty reserve tax. See paragraph 17.3 ("UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)") above. The limitation on foreign taxes eligible for the US foreign tax credit is complex. US Holders should consult their tax advisors as to the application of these limitations to their particular circumstances.

Dividends paid in pounds sterling will be includable in the income of a US Holder in a US dollar amount based on the spot exchange rate in effect on the day the dividends are actually or constructively received by the US Holder regardless of whether the payment is in fact converted into US dollars at that time. A US Holder's tax basis in the pounds sterling distributed will equal the US dollar amount included, generally its US dollar value on the date it is received by the US Holder. Any gain or loss recognised upon a subsequent disposition of the pounds sterling for a different amount will generally be US source ordinary income or loss.

Disposition

A US Holder generally will recognise capital gain or loss on the sale or other disposition of the Open Offer Shares in an amount equal to the difference between the US dollar value of the amount realised from the disposition and the US Holder's adjusted tax basis in the Open Offer Shares. Any gain or loss realised generally will be treated as arising from US sources. It will be long-term capital gain or loss if the holder has held the Open Offer Shares for more than one year. Long term capital gains derived by individuals and certain other non corporate US Holders are eligible for reduced rates of taxation. The deductibility of capital losses against ordinary income is subject to significant limitations.

A US Holder that receives non-US currency on the disposition of Open Offer Shares will realise an amount equal to the US dollar value of the non-US currency received on the date of disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date) whether or not converted into US dollars at that time. The US Holder will recognise currency gain or loss if the US dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A US Holder will have a tax basis in the non-US currency received equal to its value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a conversion or subsequent disposition of the non-US currency generally will be US source ordinary income or loss.

18.4 Backup withholding and information reporting

Amounts received with respect to the Open Offer Entitlements, dividends paid in respect of the Open Offer Shares and proceeds from disposition of Open Offer Shares may be reported to the US Internal Revenue Service unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding at the applicable statutory rate may apply to reportable payments unless the holder provides its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against the holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE OPEN OFFER ENTITLEMENTS AND OPEN OFFER SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

19 Litigation and arbitration proceedings

Neither the Company nor any other member of the Group is or has been engaged in, nor, so far as the Company is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

20 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Capital Raising and the bank facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this document.

21 No significant change

There has been no significant change in the financial or trading position of the Group since 28 February 2009, the date to which the latest unaudited interim financial information in relation to the Group was prepared.

22 Consents

PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its report on the unaudited pro forma financial information in Section B of Part 6 (“Unaudited Pro forma Financial Information”) of this document, in the form and context in which it appears and has authorised the contents of that part of this document which comprises its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the US Securities and Exchange Commission under section 7 of the Securities Act. As the New Ordinary Shares have not and will not be registered under the Securities Act, PricewaterhouseCoopers LLP has not filed a consent under section 7 of the Securities Act.

23 Public takeovers

There have been no public takeover offers by third parties in respect of the Shares during Debenhams’ last and current financial year.

24 General

Each New Ordinary Share is expected to be issued at a premium of 79.99 pence to its nominal value of 0.01 pence.

24.1 Expenses

The total costs and expenses payable by the Company in connection with the Capital Raising (including the listing fees of the FSA and the London Stock Exchange, professional fees and expenses, and the costs of printing and distribution of documents) are estimated to amount to £16.8 million (including VAT).

24.2 Auditors

The auditors of the Company since the Company’s incorporation have been PricewaterhouseCoopers LLP, chartered accountants, whose registered address is at Benson House, 33 Wellington Street, Leeds LS1 4JP.

The audited accounts of the Group for the financial years ended 1 September 2007 and 30 August 2008 were audited by PricewaterhouseCoopers LLP of Benson House, 33 Wellington Street, Leeds LS1 4JP in accordance with auditing standards. PricewaterhouseCoopers LLP has made reports under section 235 of the Act on the financial statements of the Group for the financial years ended 1 September 2007 and 30 August 2008, which were unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006. Statutory accounts of the Group have been delivered to the Registrar of Companies for each of the periods.

24.3 Audited accounts

The financial information contained in this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Full audited accounts have been delivered to the Registrar of Companies for the Company for the period from incorporation on 10 May 2005 to 30 August 2008.

25 Information regarding forward-looking data

This document, and the information incorporated by reference into this document, include statements that are, or may be deemed to be “forward-looking statements”. The words “believe,” “anticipate,” “expect,” “intend,” “aim,” “plan,” “predict,” “continue,” “assume,” “positioned,” “may,” “will,” “should,” “shall,” “risk” and other similar expressions that are predictions or indicators of future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings “Summary,” “Risk factors,” “Business Description” and “Operating and financial review”, regarding Debenhams’ strategy, plans, objectives, goals and other future events or prospects, are forward-looking statements. An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond Debenhams’ control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Debenhams cautions investors

that forward-looking statements are not guarantees of future performance and that its actual results of operations, and the development of the industry in which it operates, may differ materially from those suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Debenhams, or persons acting on its behalf, may issue. Factors that may cause Debenhams' actual results to differ materially from those expressed or implied by the forward-looking statements in this document include, but are not limited to, the risks described under "Risk Factors", also referred to below.

The following risks are the material risks of which the Directors are aware. Additional risks and uncertainties not presently known to the Company or the Directors, or that the Company or the Directors currently consider to be immaterial, may also have an adverse effect on the Group.

- continuing adverse economic conditions may have a material adverse effect on Debenhams' results;
- Debenhams has significant leverage;
- the sector in which Debenhams operates is highly competitive;
- Debenhams may not be able to predict accurately or fulfil customer preferences or demand;
- Debenhams depends upon key management and other personnel and the departure of such management or personnel could adversely affect its business;
- Debenhams' business could suffer as a result of weak sales during peak selling seasons or extreme or unseasonal weather conditions;
- any events that negatively impact the reputation of, or value associated with, Debenhams' brand could adversely affect its business;
- any disruption or other adverse event affecting Debenhams' relationship with any of its major suppliers or its store card providers could adversely affect its business;
- Debenhams' relationships with certain designers are important to its business and the loss of these relationships could have a material adverse effect on Debenhams' business;
- Debenhams' relationships with certain concessions are important to its business and the loss of a significant concession partner could have an adverse impact on Debenhams' business;
- a large portion of Debenhams' merchandise is manufactured by a small number of suppliers;
- a failure to develop and implement Debenhams' new store rollout successfully may adversely affect its business;
- currency fluctuations and hedging risks could materially adversely affect Debenhams' earnings and cash flow;
- factors outside Debenhams' control, such as damage or interruptions due to operational disruption, increases in energy costs, natural disaster, terrorist activity or tax or regulatory changes, may have a material adverse effect on its results;
- risks associated with Debenhams' properties may have a material adverse effect on Debenhams' business, financial condition or results of operations;
- an increase in the Group's funding needs or changes to obligations in respect of its pension schemes could have an adverse impact on its business;
- any future acquisitions could consume significant resources and management attention;
- Debenhams' business may be materially adversely affected by changes to governmental regulations;
- there may be volatility in the price of the Ordinary Shares;
- Shareholders may be subject to exchange rate risk;
- holders of Existing Ordinary Shares will experience a dilution of their percentage ownership of the Company's Ordinary Shares;

- the share price of the Company may be negatively affected if Shareholders do not take up their entitlements in respect of the Open Offer in full;
- pre-emptive rights may not be available for US and other non UK holders of Ordinary Shares;
- it may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors; and
- the Company's ability to continue to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves.

These forward-looking statements reflect the Directors' judgment at the date of this document and are not intended to give any assurances as to future results. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, the Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document.

26 Industry data

Debenhams has obtained the industry data used throughout this document from its own research, using underlying data from independent third parties, publicly available information and data from surveys or studies conducted by third parties, primarily from Verdict Research Limited ("Verdict") and TNS Media Intelligence ("TNS"), as well as from other publications. The majority of the industry data used throughout this document is in respect of the 2008 calendar year, the most recent time period for which published information is available. Verdict Research Limited is a leading business information company that specialises in providing independent analysis and forecasts of the retail industry. Verdict uses a combination of government data, company accounts and expert in-house interviews to provide a comprehensive market picture. Verdict does not include food retail sales in its department stores analysis. TNS Worldpanel Fashion provides market information on the clothing and premium beauty sector. TNS Worldpanel Fashion is a continuous consumer panel of 15,000 individuals who are interviewed fortnightly by telephone and asked about their purchases. Information is then grossed up to represent the British population. TNS defines womenswear as clothing only.

Where information contained in this document has been sourced from Verdict or TNS, as with other third parties, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

27 Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of Admission at the offices of Debenhams plc, 1 Welbeck Street, London W1G 0AA and Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS, and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the historical financial information for the Group in respect of the three financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 and the 26 week periods ended 1 March 2008 and 28 February 2009;
- (c) the Circular to Shareholders;
- (d) the consent letter referred to in "Consents" in paragraph 22 of this Part 8 above;
- (e) the report from PricewaterhouseCoopers LLP which is set out in Section B of Part 6 ("Unaudited Pro forma Financial Information") of this document; and
- (f) this document.

Dated: 5 June 2009

PART 9

RELEVANT DOCUMENTATION AND DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information which is relevant to the Capital Raising, and certain portions of the following documentation (as specified below) are incorporated by reference into this document:

Debenhams' annual reports and accounts for each of the three financial years ended 2 September 2006, 1 September 2007 and 30 August 2008

The annual reports contain the audited consolidated financial statements of the Company for the financial years ended 2 September 2006, 1 September 2007 and 30 August 2008 prepared in accordance with IFRS, together with audit reports in respect of each such year. The annual reports are available for inspection in accordance with paragraph 27 of Part 8 ("Additional Information") of this document. These documents are also available on the Company's website at www.debenhamsplc.com.

Debenhams' interim results for each of the 26 week period ended 1 March 2008 and 28 February 2009

The interim results contain the unaudited consolidated financial statements of the Company for the 26 week periods ended 1 March 2008 and 28 February 2009, prepared in accordance with IFRS. The interim results are available for inspection in accordance with paragraph 27 of Part 8 ("Additional Information") of this document. The interim results are also available on the Company's website at www.debenhamsplc.com.

Circular to Shareholders

The Circular to Shareholders is available for inspection in accordance with paragraph 27 of Part 8 ("Additional Information") of this document. This document is also available on the Company's website at www.debenhamsplc.com.

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to paragraphs 9.1, 9.2, 20.1, 20.3, 20.4, and 20.6 of Annex I to the Prospectus Rules and paragraph 10.2 of Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Ordinary Shares:

Document	Section	Page numbers in such document
Annual Report and Accounts 2006	Audited information in the remuneration report	44
Annual Report and Accounts 2006	Auditors' report to the members of Debenhams plc (Group)	50 – 51
Annual Report and Accounts 2006	Consolidated income statement	52
Annual Report and Accounts 2006	Consolidated statement of recognised income and expenses	53
Annual Report and Accounts 2006	Consolidated balance sheet	54
Annual Report and Accounts 2006	Consolidated cash flow statement	55
Annual Report and Accounts 2006	Notes to the financial statements	56 – 107
Annual Report and Accounts 2006	Independent auditors' report to the members of Debenhams plc (Company)	110 – 111

Document	Section	Page numbers in such document
Annual Report and Accounts 2006	Company balance sheet	112
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Annual Report and Accounts 2006	Notes to the Company financial statements	114 – 119
Annual Report and Accounts 2007	Audited information in the remuneration report	43
Annual Report and Accounts 2007	Independent auditors' report to the members of Debenhams plc (Group)	49
Annual Report and Accounts 2007	Consolidated income statement	50
Annual Report and Accounts 2007	Consolidated statement of recognised income and expenses	51
Annual Report and Accounts 2007	Consolidated balance sheet	52
Annual Report and Accounts 2007	Consolidated cash flow statement	53
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Annual Report and Accounts 2007	Independent auditors' report to the members of Debenhams plc (Company)	92
Annual Report and Accounts 2007	Company balance sheet	93
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Annual Report and Accounts 2007	Notes to the Company financial statements	95 – 99
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Any information that is incorporated by reference into documents, which in turn are incorporated into this document, is not incorporated by reference into this document.

PART 10

DEFINITIONS

“Admission”	the admission of the New Ordinary Shares to the Official List and to trading on the market for listed securities of the London Stock Exchange becoming effective;
“Annual Reports and Accounts”	the annual reports and accounts prepared by Debenhams plc for the financial years ended 2 September 2006, 1 September 2007 and 30 August 2008;
“Application Form”	the application form on which Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders with, subject to certain exceptions, a registered address in the United States or any Restricted Jurisdiction) who are registered on the register of members of the Company may apply for Open Offer Shares under the Open Offer;
“Articles”	the articles of association of Debenhams plc in force at the date of this document, which are described in paragraph 4 of Part 8 (“Additional Information”) of this document;
“Audit Committee”	the Company’s audit committee, described in paragraph 5.5 of Part 8 (“Additional Information”) of this document;
“BACS”	banks automated clearing system;
“Banks”	Citi, Citi UK, Lazard, Merrill Lynch, Barclays Capital, Lloyds TSB Corporate Markets and RBS Hoare Govett;
“Barclays Capital”	Barclays Bank PLC, of 5 The North Colonnade, Canary Wharf, London E14 4EY;
“Board”	the Executive Directors and Non-Executive Directors of Debenhams plc as at the date of this document, named on page 28 of this document (save that, where the context requires in Part 8 (“Additional Information”) of this document, such terms shall refer to the directors of the Company from time to time or the board of directors of the Company as constituted from time to time);
“Business Day”	a day (other than a Saturday or Sunday and public holidays) on which banks are generally open for normal banking business in the City of London;
“CAGR”	compound annual growth rate;
“Capital Raising”	the Firm Placing and the Placing and Open Offer;
“CCSS” or “CREST Courier and Sorting Service”	the CREST Courier and Sorting Service established by Euroclear to facilitate, among other things, the deposit and withdrawal of certificated securities;
“certificated”	an Ordinary Share or other share or security (as appropriate) not in uncertificated form (that is, not in CREST);
“Chairman”	the chairman for the time being of Debenhams;
“CHAPS”	clearing house automated payment system;

“Circular”	the circular issued by the Company in connection with the General Meeting on 5 June 2009;
“Citi”	Citigroup Global Markets Limited, of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB;
“Citi UK”	Citigroup Global Markets U.K. Equity Limited, of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB;
“City Code”	the City Code on Takeovers and Mergers in the United Kingdom;
“Closing Price”	the closing middle-market quotation of an Ordinary Share as derived from the Daily Official List on a particular day;
“Combined Code”	the UK Combined Code on Corporate Governance issued by the Financial Reporting Council, as amended from time to time;
“Companies Act”	the UK Companies Act 1985 (as amended) and the UK Companies Act 2006 (as amended), or either of them as the context requires;
“Company”	Debenhams plc, a public limited company incorporated in England and Wales with registered number 05448421, having its registered office at 1 Welbeck Street, London W1G 0AA;
“Credit Agreement”	the credit facility agreement dated 19 April 2006 (as amended pursuant to a supplemental agreement dated 28 November 2007 and further amended and restated pursuant to a second supplemental agreement dated 3 June 2009) between, among others, the Company, Debenhams Group Holdings Limited and Debenhams Retail Plc as borrowers; Debenhams Properties Limited, Debenhams Retail (Ireland) Limited and Debenhams Retail plc as guarantors and The Royal Bank of Scotland plc as facility agent;
“Credit Facilities”	the aggregate principal amounts provided pursuant to the Credit Agreement;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of sale and purchases of securities and the holding of shares in uncertificated form in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedures and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear);
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);

“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CREST Shareholders”	Shareholders holding Ordinary Shares in uncertificated form;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“CVC”	CVC Capital Partners SICAV-FIS S.A. and its subsidiaries and affiliates;
“CVC Shareholder Group”	Capital Investors 2002 Limited, Citi Europe Co Invest LP, Citicorp Capital Investors Europe Limited, CVC Europe Enterprise (Cayman) LP, CVC Europe Enterprise (Domestic) LP, CVC European Equity Partners III LP, CVC European Equity Partners III Parallel Fund – A L.P. and CVC European Equity Partners III Parallel Fund – B L.P.;
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange;
“Debenhams”	Debenhams plc and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings, from time to time;
“Debenhams Acquisition Companies”	Baroness Group Holdings Limited, Baroness Holdings UK Limited and Baroness Retail Limited, being companies established by funds advised by CVC, TPG and others to acquire the Group in 2003;
“Debenhams Share Plans”	the Debenhams Performance Share Plan, the Debenhams 2006 Executive Share Option Plan, the Debenhams Deferred Bonus Matching Plan, the Debenhams 2006 Sharesave Scheme, the Debenhams 2006 Sharesave Scheme (Ireland) and the Debenhams 2008 Share Incentive Plan;
“direct merchandise costs”	the cost of purchasing Debenhams’ own bought merchandise from its international and domestic suppliers, including freight and delivery charges, taxes and foreign exchange gains or losses;
“Directors” or “Debenhams Directors” or “Board” or “Board of Directors” or “board” or “board of directors”	the Executive Directors and Non-Executive Directors of Debenhams plc as at the date of this document, named in paragraph 5 of Part 8 (“Additional Information”) of this document, save that, where the context requires, such terms shall refer to the directors of the Company from time to time or the board of directors of the Company as constituted from time to time;
“Disclosure and Transparency Rules”	the disclosure and transparency rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a

	regulated market or for which a request for admission to trading on such a market has been made, as published by the Financial Services Authority of the United Kingdom;
“EBITDA”	EBITDA is calculated as Group operating profit before deemed disposal of subsidiaries and before exceptional items plus depreciation of tangible fixed assets, amortisation of intangible assets plus profits or losses on the disposal of fixed assets where these are included in operating profit;
“EBITDAR”	EBITDAR is calculated as Group operating profit before deemed disposal of subsidiaries and before exceptional items plus depreciation of tangible fixed assets, amortisation of intangible assets and profits or losses on the disposal of fixed assets where these are included in operating profit, plus property lease rental costs;
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company as it will be immediately following the issue of the New Ordinary Shares under the Capital Raising;
“EPS”	earnings per share;
“EU”	the European Union;
“EURIBOR”	the Euro Interbank Offered Rate;
“Euro” or “€”	the lawful currency of the member states of the European Union who adopted the Euro in Stage Three of the Treaty establishing Economic and Monetary Union on 1 January 1999, as amended;
“Euroclear”	Euroclear UK & Ireland Limited (formally known as CRESTCo Limited), the operator of CREST;
“European Economic Area”	the European Union, Iceland, Norway and Liechtenstein;
“Executive Directors”	the executive Directors of Debenhams, at the date of this document being Rob Templeman, Michael Sharp and Chris Woodhouse;
“ex-entitlement date”	5 June 2009;
“Existing Ordinary Shares”	the Ordinary Shares in issue immediately prior to the Capital Raising;
“Financial Information”	the unaudited interim accounts for the 26 week periods ended 28 February 2009 and 1 March 2008 and the audited consolidated financial information of the Group for the financial years ended 30 August 2008, 1 September 2007 and 2 September 2006 incorporated by reference into this document;
“Firm Placed Shares”	the 161.6 million New Ordinary Shares which the Managers have made arrangements to place firm conditionally on a non-pre-emptive basis with the Firm Places;
“Firm Placees”	investors to which Firm Placed Shares are to be placed;
“Firm Placing”	the conditional placing to the Firm Placees of the Firm Placed Shares;

“Form of Proxy”	the form of proxy accompanying the Circular for use by the Shareholders in respect of the General Meeting;
“FSA”	the Financial Services Authority of the United Kingdom;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of the Company convened for 23 June 2009 (including any adjournment thereof), notice of which is set out in the Circular;
“gross transaction value”	revenue on a gross basis, including the gross revenue (excluding VAT) from concessions rather than just the portion of those concession revenues received as commission by the Group;
“Group”	Debenhams plc and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings, from time to time;
“HMRC”	Her Majesty’s Revenue and Customs;
“IAS”	International Accounting Standards;
“IASB”	International Accounting Standards Board;
“IFRIC”	International Financial Reporting Interpretations Committee;
“IFRS”	International Financial Reporting Standards as adopted by the EU;
“intake mark-up”	the margin on merchandise when it arrives at a UK distribution centre, including the cost of the product, duty and freight to that point;
“IPO”	the initial public offering of Ordinary Shares in Debenhams plc in May 2006;
“ISIN”	International Securities Identification Number;
“Issue Price”	80 pence for each Open Offer Share and for each Firm Placed Share;
“Joint Bookrunners”	Citi and Merrill Lynch;
“Joint Global Co-ordinators”	Citi and Merrill Lynch;
“Joint Lead Managers”	Barclays Capital, Lloyds TSB Corporate Markets and RBS Hoare Govett;
“Joint Sponsors”	Citi, Lazard and Merrill Lynch;
“Lazard”	Lazard & Co., Limited;
“LIBOR”	London Interbank Offered Rate;
“like-for-like”	comparative gross transaction value for stores that have been trading for 53 weeks or longer. Like-for-like is aggregated on a weekly basis to the extent a store was trading throughout the same financial week during both financial years and is reported inclusive of VAT;

“Listing Rules”	the rules and regulations made by the Financial Services Authority in its capacity as the UK Listing Authority under the Financial Services Markets Act 2000, and contained in the UK Listing Authority’s publication of the same name;
“LloydsTSB Corporate Markets”	Lloyds TSB Bank Plc, of 25 Gresham Street, London EC2V 7HN;
“London Stock Exchange”	London Stock Exchange Group plc;
“Managers”	Citi UK and Merrill Lynch;
“member account ID”	the identification code or number attached to any member account in CREST;
“Memorandum”	the memorandum of association of Debenhams plc which is described in paragraph 4 of Part 8 (“Additional Information”) of this document;
“Merrill Lynch”	Merrill Lynch International of the Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ;
“Money Laundering Regulations”	the Money Laundering Regulations 2007 (SI 2007/2157), as amended;
“Newco Subscriber”	Citi UK or a third party nominated by the Company;
“New Ordinary Shares”	the Firm Placed Shares and the Open Offer Shares;
“Nomination Committee”	the Company’s nomination committee described in paragraph 5.5 of Part 8 (“Additional Information”) of this document;
“Non-Executive Directors”	the non-executive Directors of Debenhams, at the date of this document being Adam Crozier, Peter Long, Dennis Millard and Paul Pindar;
“Notice of General Meeting”	the notice of the General Meeting set out in the Circular;
“Official List”	the official list maintained by the UK Listing Authority pursuant to Part VI of the FSMA;
“Open Offer”	the invitation by the Company to Qualifying Shareholders to apply for Open Offer Shares, on the term and conditions set out in this document, and in the case of Qualifying Non-CREST shareholders, in the Application Form;
“Open Offer Entitlement”	the entitlement of a Qualifying Shareholder to apply for 2.745604 Open Offer Shares for every 10 Existing Ordinary Shares held on the Record Date;
“Open Offer Shares”	the 242.4 million New Ordinary Shares being offered to Qualifying Shareholders pursuant to the Open Offer;
“Ordinary Shares” or “Shares”	ordinary shares of 0.01 pence each in the capital of the Company;
“Overseas Shareholders”	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, incorporated in, registered in or otherwise resident in, jurisdictions outside the United Kingdom;

“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Pensions Regulator”	the UK Pensions Regulator established under Section 1 of the Pensions Act 2004;
“Placees”	the persons with whom a conditional placing of New Ordinary Shares (subject, where applicable, to the entitlements of Shareholders under the Open Offer) has been or will be made;
“Placing”	the conditional placing of the Open Offer Shares with institutional investors at the Issue Price subject to clawback in respect of valid applications made by Qualifying Shareholders under the Open Offer;
“Placing Agreement”	the Placing Agreement entered into on 4 June 2009 between the Company, the Joint Sponsors and the Underwriters described in paragraph 15.1 of Part 8 (“Additional Information”) of this document;
“Principal Shareholders”	members of the CVC Shareholder Group and the TPG Shareholder Group;
“Prospectus Rules”	the rules made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004;
“Qualified Institutional Buyer” or “QIB”	a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act;
“Qualifying CREST Shareholders”	Qualifying Shareholders who hold Existing Ordinary Shares on the Record Date in uncertificated form;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders who hold Existing Ordinary Shares on the Record Date in certificated form;
“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date;
“RBS Hoare Govett”	RBS Hoare Govett Limited, of 250 Bishopsgate, London EC2M 4AA;
“Receiving Agent”	Equiniti Limited
“Receiving Agent Agreement”	the agreement dated 4 June 2009 between the Company, the NewCo Subscriber, Kylie (Jersey) Limited and the Receiving Agent, pursuant to which the Receiving Agent is appointed;
“Record Date”	5.00 p.m. (London time) on 2 June 2009;
“Registrar”	Equiniti Limited
“Regulation S”	Regulation S under the Securities Act;
“Regulatory Information Service”	one of the regulatory information services authorised by the Financial Services Authority to receive, process and disseminate regulatory information in respect of listed companies;

“Remuneration Committee”	the Company’s remuneration committee, described in paragraph 5.5 of Part 8 (“Additional Information”) of this document;
“Resolutions”	the resolutions set out in the Notice of General Meeting;
“Restricted Jurisdictions”	the Commonwealth of Australia, its territories and possessions, Japan, the Republic of South Africa and Canada, and “Restricted Jurisdiction” means any one of them;
“RPI”	Retail Price Index;
“Rule 144A”	Rule 144A under the Securities Act;
“SDRT”	stamp duty reserve tax;
“SEC”	United States Securities and Exchange Commission;
“Securities Act”	the US Securities Act of 1933, as amended;
“Senior Managers”	Nigel Palmer, Nikki Zamblera and Suzanne Harlow;
“Shareholders”	holders of Ordinary Shares;
“sterling” or “pence” or “£”	the lawful currency of the United Kingdom;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“TNS”	TNS Media Intelligence;
“TPG”	TPG Capital LLP;
“TPG Shareholder Group”	TPG Delta Holdco LLC, TPG Delta Holdco II LLC and TPG Delta Holdco III LLC;
“Transaction”	the Capital Raising and the negotiation of amendments to Debenhams’ financial covenants and certain other terms within its existing debt facilities;
“UK”	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies;
“UK Listing Authority” or “UKLA”	the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“uncertificated”	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Underwriters”	Citi UK, Merrill Lynch, Barclays Bank PLC of 5 The North Colonnade, Canary Wharf, London E14 4EY, Lloyds TSB Bank Plc of 25 Gresham Street, London EC2V 7HN, and RBS Hoare Govett Limited of 250 Bishopsgate, London EC2M 4AA;
“US” or “USA” or “United States”	the United States of America, its territories and possessions and any state of the United States and the District of Columbia;

“US dollars” or “US\$”	the lawful currency of the United States;
“USE Instruction”	shall have the same meaning given in the CREST Manual;
“VAT”	value added tax; and
“Verdict”	Verdict Research Limited.

