

DEBENHAMS

www.debenhams.com

20 September 2011

DEBENHAMS PLC: TRADING UPDATE

Debenhams plc, the leading international department stores group, today announces a trading update for its 2010/11 financial year.

Note: whilst the 2010/11 financial year comprises the 53 weeks to 3 September 2011, management believes that the sales comparisons for the 52 weeks to 27 August 2011 given below better reflect the underlying performance of the business.

We were pleased with trading in the final period of the year since our last update at 43 weeks. The key sales performance highlights were:

	52 weeks	Weeks 44 to 52
Group gross transaction value	+2.9%	+2.1%
Like-for-like sales inc VAT	+1.2%	+1.7%
Like-for-like sales exc VAT	-0.3%	+0.4%

Gross transaction value for the full 53 week period increased by 4.5% over last year.

Market share continues to grow in major product categories*. In clothing, over the most recent period all categories delivered market share gains with total clothing, menswear and childrenswear each up by 50 basis points and womenswear 40 basis points higher. Our share of the premium health and beauty market has also continued to grow strongly, increasing by 140 basis points in the year to July.

We have again seen impressive growth in multi-channel sales – mainly comprising online, in store ordering and mobile – which increased by 71.9% (excluding VAT) over the 52 week period. Our Danish business Magasin du Nord continued to perform well, which is particularly encouraging as we are now lapping increasingly strong comparators following our acquisition of the business in November 2009. Magasin's like-for-like sales grew by 6.3% on a Danish kroner basis and by 4.8% on a sterling basis from date of acquisition.

We have continued our approach of focusing on the maximisation of cash margin by balancing retail selling prices and optimum demand. As a result, whilst the Group gross margin rate for the year will be flat to slightly down versus last year, headline profit before tax for the 53 week financial year is expected to be ahead of current consensus estimates.

Stocks remain firmly under control. Year-end terminal stock is expected to be in the region of its historical lows at 2.5-3.0% following a successful summer sale period.

Debenhams remains highly cash generative. Year end net debt will be in the region of £385 million, a reduction of some £130 million since the start of the year. On 18 July 2011 we announced a further refinancing of the senior credit facility which has extended its duration from October 2013 to October 2015 and reduced the cash interest rate from c.4.5% to c.4.0% with effect from that date.

Six store refits commenced in the second half of the year for completion in the early weeks of the new financial year. We have recently signed a lease on a new head office building which we will be moving in to in the summer of 2013. As well as enabling the refitting of the Oxford Street flagship store in 2013, this move will provide a single, purpose built facility which will allow our head office functions, particularly design, buying and merchandising, to operate in a more efficient and co-ordinated way.

The Jane Norman concession agreement has been terminated. We will use a combination of own bought ranges, including H! by Henry Holland from the Designers at Debenhams portfolio, and concession brands to ensure we continue to offer choice to younger customers. We do not believe that the business will suffer long-term disruption from this termination.

Michael Sharp, Chief Executive of Debenhams, said:

“Debenhams delivered a stronger performance in the final period of the year, delivering like-for-like sales growth in the last two months against tougher prior year comparators. We believe our decision to maximise cash profit by investing in top line growth has proven successful and this will result in headline profit before tax for the year coming in ahead of consensus forecasts.

“Looking forward, although we remain cautious about the strength of consumer confidence and the timing of an economic recovery, we will be focusing on the retail basics of giving our customers great products in an inspirational shopping environment, whether in our stores or through one of our multi-channel access points. We are therefore confident that we can continue to make progress over the coming year.”

*Market share. Clothing: value share of clothing, footwear and accessories in each market, source Kantar Worldpanel Fashion, 12 weeks to 7 August 2011 vs. 2010). Beauty: source: NPD, 52 weeks ending July 2011.

- Ends -

Debenhams final results for the 53 weeks to 3 September 2011 will be released on 20 October 2011.

A conference call for analysts and investors, hosted by Michael Sharp and Chris Woodhouse, will be held today at 9:00am. To join this call please dial +44 (0) 20 3140 0820, +1 718 705 7514. A replay will be available for seven days on +44 (0) 20 3140 0698, +1 877 846 3918, PIN 378907#.

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Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Debenhams' current expectations concerning future events and actual results may differ materially from current expectations or historical results. Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is (or is deemed to be) incorporated into or forms (or is deemed to form) part of this announcement.

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Notes to Editors

Debenhams is an iconic British department store group which was established over 200 years ago. Debenhams has a strong presence in key product categories including womenswear, menswear, childrenswear, home and health & beauty and offers its customers a unique and differentiated mix of exclusive own bought brands including Designers at Debenhams, international brands and concessions.

Debenhams has 169 stores in the UK, the Republic of Ireland and Denmark as well as 64 international franchise stores in 25 countries. Debenhams products are also available online at www.debenhams.com and www.debenhams.ie and through iPhone, Android and Nokia apps.

Designers at Debenhams include Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanda Ilincic, Betty Jackson, Jonathan Kelsey, Ben de Lisi, Julien Macdonald, Melissa Odabash, Jane Packer, Pearce Fionda, Preen, Janet Reger, John Rocha, Jonathan Saunders, Lisa Stickley, Eric Van Peterson and Matthew Williamson.