

DEBENHAMS

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DEBENHAMS PLC – FULL YEAR TRADING UPDATE

- *Gross transaction value up*
- *Market share gains*
- *Second consecutive year of strong PBT growth*
- *Net debt position improved*

Debenhams plc, the leading department store group, today provides the following trading update for its 2010 financial year, comprising the 52 weeks to 28 August 2010.

Sales and Market Share

Gross transaction value for the year increased by 9.6% compared with the previous year including Magasin du Nord¹ ("Magasin") and by 1.4% excluding Magasin.

As expected, we saw a recovery in like-for-like sales in the last 10 weeks of the year which resulted in like-for-like sales for the 52 weeks which were flat on last year. Like-for-like sales were impacted throughout the year by c.1.5% due to the strategy of improving gross margins by increasing the penetration of own bought trading space, which involved the conversion of over 530,000 sq ft of trading space from concessions to own bought in the fourth quarter of 2009. We have continued with a strategy of tight stock control focusing on cash gross margin as a first priority.

Market share gains were achieved throughout the year in menswear and childrenswear (source: Kantar Worldpanel Fashion 24 weeks market share data to 18 July 2010 vs. 2009). Womenswear share was impacted in 2010 by lower own bought sales densities arising out of last year's space moves. This will anniversary as we move into the first quarter of 2011.

Gross Margin and Profit Expectations

Consistent with the last interim management statement issued in July 2010, we anticipate that gross margin will exceed previous guidance. This has been driven by our strategy of growing cash margin through focusing on product mix and gross margin improvement alongside our ongoing focus on tight stock control and markdown management which has resulted in historically low terminal stocks. Gross margin has continued to make strong progress in the final weeks of the year.

In light of the strong gross margin performance, headline profit before tax and exceptional items² for the year is expected to be in the region of £150 million, an increase of some 20% over last year and up over 35% on a two year comparison.

Strategic Initiatives

Throughout the year, Debenhams has focused on its key strategic aims around the areas of product strategy, space expansion, multi-channel development and balance sheet management.

In line with our product strategy of increasing our own bought offer, several new brands have been launched in recent weeks to add to the year's other successful introductions including Principles by Ben de Lisi and H! by Henry Holland. These include menswear casual brand Fit For Purpose (FFP) and two new Designers at Debenhams collections both in the Home department, namely House and Home by Lisa Stickley and Butterfly Home by Matthew Williamson.

Six new stores were opened during the year, comprising three department stores and three Desire stores. The store portfolio at the end of the year comprised 147 department stores, 13 Desire stores and six Magasin stores. In addition, there were 60 international franchise stores in 23 countries. Since the year end a new department store has opened in Bath. The store refits which commenced in 2010, including the major city centre stores in Glasgow and Manchester, will complete on schedule and we will see the full benefits of these in the new financial year. A further five refits will be completed in time for the start of peak trading.

Magasin continues to perform in line with expectations. The early signs of success from the introduction of Debenhams own bought products into the Magasin stores – especially Field's and Odense – have continued. We remain confident that Magasin will achieve the guidance previously provided.

Integrating the in-store and online activities has been the focus of the multi-channel business during 2010. Our aim is to provide the flexibility for customers to shop in the most convenient way for each purchase. The multi-channel business grew strongly in the year with Debenhams Direct sales for the 52 weeks up 88.4% (excluding VAT) compared with the previous year.

Debenhams remains strongly cash generative. Net debt as at 28 August 2010 will be better than market consensus. The process of refinancing Debenhams' debt facilities was completed in July, well ahead of the scheduled date of April 2011. The new £650 million senior facility comprises a £250 million term loan and a £400 million revolving credit facility expiring in October 2013 with an option to extend to October 2014. Following a proportion of the debt being hedged into fixed rate finance, it is anticipated that the interest cost net of fees will fall from circa 7.0% in the 2010 financial year to circa 4.5% during the first full year of the new facilities. The new facility will start in April 2011 on the expiry of the existing facility. Associated refinancing costs of around £10 million have been capitalised and will be amortised over the life of the new facility, starting in April 2011.

Rob Templeman, Chief Executive of Debenhams, said:

"We have said throughout 2010 that this would be a year of change for Debenhams and a year when the structural shift towards own bought merchandise means that we will judge our performance on profit improvement rather than sales. With this in mind, I am very pleased with the overall performance of the business this year.

"Our profit performance has been pleasing but we believe it is correct to remain cautious about the level of consumer confidence going forward. There is, however, much to be positive about in our business, including the benefits of higher own bought sales, the acquisition of Magasin, the growing multi-channel business and the ongoing store refurbishment programme, together with the deleveraging of the business through strong cash generation and lower interest costs following refinancing. All of this will collectively enable Debenhams to make further progress during the financial year ahead."

Notes: ¹Debenhams plc acquired Magasin du Nord, the leading department store chain in Denmark, during the first half of the current financial year. Magasin is included in Debenhams' results from 7 November 2009.

²Headline profit before tax and exceptional items: after adding back amortisation on capitalised bank fees and exceptional items.

A conference call for investors and analysts will be held today at 9:00am. To join this call, please dial +44 (0)20 7906 8567. A recording of the call will be available for seven days on +44 (0)20 3364 5943 or +1 866 286 6997, replay code 274762#. Debenhams will announce its preliminary results for the year to 28 August 2010 on Thursday 21 October 2010.

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.

Enquiries

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Notes to Editors

Debenhams is a leading department stores group with a strong presence in key product categories including womenswear, menswear, childrenswear, home and health and beauty. Debenhams is the second largest department store chain in the UK.

Debenhams operates 167 stores in the UK, Republic of Ireland and Denmark, comprising 154 full departments stores and 13 Desire by Debenhams stores, which is a small store concept featuring an edited product range. Debenhams also has 60 international franchise stores in 23 countries. Debenhams' online store is available at www.debenhams.com.

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