

DEBENHAMS

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27 June 2013

DEBENHAMS PLC INTERIM MANAGEMENT STATEMENT

Debenhams plc, the leading international, multi-channel brand, today announces its interim management statement for the 16 week period to 22 June 2013.

Highlights

- **Robust performance in challenging market conditions: GTV up 1%, LFL flat**
- **Continued market share gains in clothing, beauty and home**
- **Online sales grow by 40% in H2 to date**
- **Transformation of Oxford Street into international flagship store on schedule, creating 430 new jobs**

Michael Sharp, Chief Executive of Debenhams, said:

“Debenhams has delivered a robust performance, continuing to grow market share in our key categories in a challenging and volatile period. I’m particularly pleased that we have maintained strong growth of online sales which were up by 40%.

“We have managed the business to reflect the market conditions, with a strong focus on stocks, margins and costs. We are also making good progress on the four pillars of our strategy to build a leading international, multi-channel brand. As a result, at this stage we remain comfortable with the range of market expectations for profit before tax for the year as a whole. ”

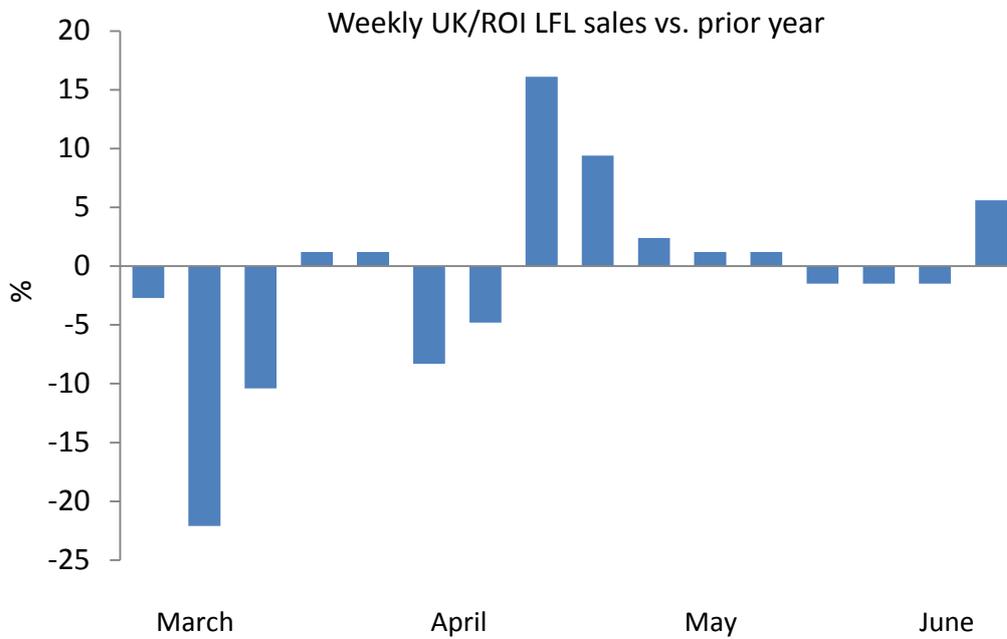
Sales performance

Group gross transaction value for the first 16 weeks of the second half increased by 1.0% and for the first 42 weeks of the year grew by 2.6%. Like-for-like sales were flat for the 16 week period and increased by 2.1% for the 42 weeks.

We have seen further growth in market share in key categories, including total fashion, womenswear, menswear, premium beauty and home, reflecting the relative strength of our spring/summer collections.

Online sales are continuing to grow strongly and increased by 40.0% in the 16 week period, accounting for 14.0% of our total sales. During this period we saw a 21.7% increase in traffic to debenhams.com. For the year to date, online sales have grown by 43.9% and represented 13.1% of total sales.

We consider this to be a robust performance in a market which has been impacted by the weak consumer environment as well as poor spring weather which dampened demand for new season ranges. The following chart shows the high degree of volatility we saw in like-for-like sales for our businesses in the UK and the Republic of Ireland during the 16 week period. There is a close correlation between lower like-for-like sales in March and April and unseasonably cold temperatures.



Note: adjusted for timing of Easter and May bank holidays.

Magasin du Nord has delivered another strong result with like-for-like sales in local currency up by 4.6% for the 16 weeks. We are also pleased with the performance of our international franchise stores.

Full year margin and cost guidance

We have managed margins closely throughout the year. As a result, in line with previous guidance we are anticipating a flat gross margin performance year-on-year.

We have maintained close control over our costs and have achieved some additional savings in the UK store business such that we now expect cost inflation to be no higher than 2%, which is the bottom end of the range given in April. We have also achieved greater efficiencies within our UK online business and so we anticipate an improvement in online costs as a percentage of sales of c.225 basis points compared to the prior guidance of c.200 basis points. A c.£2 million reduction in double running costs associated with a delay to our head office relocation and a number of other cost savings and benefits mean that we now expect other UK costs to increase by c.1% rather than 5-7% as previously guided. Guidance for all other costs categories is unchanged from that provided in April.

Strategy update

We continue to be focused on executing the four pillars of our strategy to build a leading international, multi-channel brand.

Focusing on UK retail

- The transformation of Oxford Street into our international flagship store is on schedule ahead of its official launch in December 2013. We are currently recruiting for 430 new jobs in the store.
- Five other store modernisations were completed in June and another seven have commenced for completion in time for peak trading.
- A new 30,000 sq ft store opened in Lichfield in May and has traded very well in its early weeks; the new store pipeline stands at 16 stores between 2014 and 2017.

Delivering a compelling customer proposition

- Our focus on our unique, differentiated and exclusive customer proposition within a broad price architecture continues to drive sales and market share. We have seen further share growth in key categories including¹:
 - total fashion +20bps, womenswear +10bps and menswear +40bps
 - premium beauty +50bps
 - home +20bps

Increasing availability and choice through multi-channel

- A greater choice of products, brands and ways to shop continues to drive online sales growth. Online sales increased by 40.0% in the 16 week period (14.0% of total sales) and by 43.9% in the 42 week period (13.1% of total sales).
- Our online market share is growing strongly in all categories¹. Total fashion online share is up 70bps to 3.7%. Our #1 online market share in premium beauty stands at 31.9%.
- Mobile continues to be the fastest growing channel with visits through online channels up 85.0% during the 16 weeks versus last year.
- We are on track to launch our premium next day delivery to home service in September which will improve customer service and enable us to recover more of our fulfilment and delivery costs.

Expanding the brand internationally

- There were 62 franchise stores in 24 countries at 22 June. Sales to franchise partners continue to be robust. The new store pipeline stands at 25 stores, starting with ten in 2014.
- Magasin du Nord delivered another good performance during the second half to date. Like-for-like sales were up 4.6% in local currency.
- The environment in the Republic of Ireland remains difficult but we continue to believe we are gaining market share.
- International online continues to make progress from a low base.

¹ Source: total fashion, womenswear, menswear - Kantar Worldpanel fashion 24 weeks to 12 May 2013, premium beauty - NPD 52 weeks to April 2013, home - GfK Homewares Panel (representing c50% of total home market) 44 weeks to 27 April 2013.

Financial position

There has been no material change to the financial position of Debenhams since the announcement of the first half results on 18 April 2013. The share buyback scheme has continued and year-to-date 13.8 million shares have been bought in the market for a total of £13.7 million. Our guidance for the share buyback for the 12 months to the full year results in October 2013 remains up to £40 million.

Outlook

We expect trading conditions to remain challenging in the balance of the financial year as consumer sentiment continues to be weak. At this stage, we are comfortable with the range of market expectations for profit before tax for the full year.

- Ends -

A conference call for analysts and investors will be held at 8:30am today. To join this call, please dial +44 (0)20 3427 1910 (UK) or +1 646 254 3365 (US). A recording will be available for seven days on +44 (0)20 3427 0598 (UK) or +1 347 366 9565 (US), PIN 4997774.

Enquiries

Analysts and Investors

Lisa Williams, Debenhams plc

020 7408 3304, 07908 483841

Media

Simon Sporborg, Brunswick Group

020 7404 5959

Tim Danaher, Brunswick Group

020 7404 5959

High resolution images are available for media to view and download free of charge from www.prshots.com/Debenhams. Follow us on twitter at @IRDebenhams and @Debenhams.

Notes to editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of 235 stores across 27 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

In the UK, Debenhams has a top five market share in womenswear and menswear and a top ten share in childrenswear. It leads the market in premium health and beauty.

Debenhams is the tenth biggest UK online retailer by traffic volume and in March 2013 was awarded “International Growth Initiative of the Year” and “Retail Technology Initiative of the Year for Endless Aisle” at the Oracle Retail Week Awards.

Debenhams has been investing in British design for 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Jeff Banks, Jasper Conran, FrostFrench, Patrick Grant, Henry Holland, Roksanda Ilincic, Betty Jackson, Ben de Lisi, Markus Lupfer, Julien Macdonald, Jane Packer, Jenny Packham, Pearce Fionda, Stephen Jones, Preen, Janet Reger, John Rocha, Jonathan Saunders, Marios Schwab, Ashley Thomas, Eric Van Peterson and Matthew Williamson.

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.