DEBENHAMS

www.debenhams.com

18 April 2013

DEBENHAMS PLC
HALF YEAR RESULTS FOR 26 WEEKS TO 2 MARCH 2013

Debenhams plc, the leading international, multi-channel brand, today announced half year results for the 26 weeks to 2 March 2013.

Financial headlines

- Gross transaction value up 3.5%
  - UK up 3.9%
  - International up 1.6%
- Group like-for-like sales up 3.1%
- Group gross margin down 20bps
- Profit before tax down 5.4% at £120.3m
- Earnings per share up 2.7% to 7.6p
- Interim dividend of 1.0p per share
- Long-term share buyback programme ongoing

Operational headlines

- Further progress against the four pillars of our strategy to build a leading international, multi-channel brand, supported by disciplined investment in key areas
- Market share gains achieved in clothing and non-clothing product categories
- Strong multi-channel growth with online sales up 46%, now 12.7% of sales
- Continued investment in store modernisations delivering good returns, transformation of Oxford Street into international flagship store on plan
- First Christmas brand advertising campaign for six years achieved our highest ever levels of brand awareness
- New Designers at Debenhams announced: tailor Patrick Grant for menswear and milliner Stephen Jones for women's accessories

Michael Sharp, Chief Executive of Debenhams, said:

"We made progress during the first half although snow in late January meant we did not achieve the profit outcome we had expected. Like-for-like sales grew for the fourth consecutive half and we saw positive market share momentum in key categories. Our multi-channel activities continued to grow with online sales increasing three times faster than the market. The transformation of Oxford Street into our international flagship store is on time and on budget.

"We expect to make further progress in the second half despite consumer sentiment remaining weak and challenging market conditions. We are committed to the opportunities afforded to us by the four pillars of our strategy to build a leading international, multi-channel brand. We are sure that this strategy is right for Debenhams and of the benefits it brings to the business and its shareholders."

FINANCIAL SUMMARY

	H1 13	H1 12	% change
Gross transaction value			
UK	£1,255.1m	£1,208.0m	+3.9%
International	£280.0m	£275.6m	+1.6%
Group	£1,535.1m	£1,483.6m	+3.5%
Statutory revenue			
UK	£1,076.1m	£1,036.2m	+3.9%
International	£206.2m	£202.1m	+2.0%
Group	£1,282.3m	£1,238.3m	+3.6%
Group like-for-like sales			+3.1%
Group gross margin			-20bps
IAS19 pension credit	£5.6m	£5.8m	-3.4%
EBITDA			
UK	£147.4m	£152.8m	-3.5%
International	£27.9m	£28.3m	-1.4%
Group	£175.3m	£181.1m	-3.2%
Operating profit			
UK	£104.8m	£112.5m	-6.8%
International	£22.7m	£22.4m	+1.3%
Group	£127.5m	£134.9m	-5.5%
Group profit before tax	£120.3m	£127.1m	-5.4%
Basic earnings per share	7.6p	7.4p	+2.7%
Interim dividend per share	1.0p	1.0p	-
	02-03-13	03-03-12	
Net debt	£321.6m	£311.8m	-£9.8m
Net debt : EBITDA (last 12 months)	1.2x	1.2x	

Reminder – segmental reporting The UK operating segment comprises all stores in the UK and online sales to UK customers. The international operating segment comprises the international franchise stores, the owned stores in Denmark (Magasin du Nord) and the Republic of Ireland and online sales to customers outside the UK.

Presentation

A presentation for analysts and investors will be held today (Thursday 18 April 2013) at 9:00am UK time at the Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB. The presentation will be webcast live at www.debenhamsplc.com.

Enquiries

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High resolution images are available for media to view and download free of charge from www.prshots.com/Debenhams.

FIRST HALF PERFORMANCE REVIEW

We made progress in the first half of the year although snow in the UK during January meant we did not achieve our expected profit before tax outcome. Gross transaction value of £1,535.1 million was 3.5% higher than last year. Like-for-like sales grew for the fourth consecutive half, increasing by 3.1%. We saw positive momentum in market share in key categories, a clear sign of customers' preferences for our brand and product offer. Our online growth of 46.2% was well ahead of the market with mobile remaining the fastest growing channel. The 32 stores modernised since 2010 continue to generate good returns and the transformation of Oxford Street into our international flagship is on plan. Our innovative strategies were recognised with awards for Retail Technology Initiative of the Year and International Growth Initiative of the Year at the Oracle Retail Week Awards 2013.

UK summary

The market was challenging and competitive in the UK throughout the first half. The high street was highly promotional during the peak Christmas period and we traded the business accordingly. We recorded our highest ever December sales with like-for-like sales up by 5.0%, aided by our first Christmas brand marketing campaign for six years.

The UK was severely disrupted by snow during the two significant trading weeks at the end of January that mark the end of our winter sale. UK like-for-like sales were down some 10% during this period. We took action to strengthen our promotional calendar in February but this was not sufficient to recover all those sales lost in January. As a result, profitability of the UK and the Group was lower than we had previously expected and this was communicated to the market on 4 March 2013.

International summary

In Denmark, Magasin had a successful first half with like-for-like sales up 9.8% in local currency. Consumer confidence in Denmark throughout the half showed some improvement over the prior year. The Republic of Ireland continues to be a difficult market, as evidenced by depressed consumer sentiment, but we believe we are gaining market share.

The trading environment in the franchise markets varied significantly. Six new international franchise stores opened during the first half. Twelve franchise stores closed, including six in Romania due to an extremely difficult market. The closure of the Romanian stores resulted in the write-off of a £3.8 million receivable.

STRATEGY UPDATE

Our focus throughout the first half was the ongoing execution of the four pillars of our strategy to build a leading international, multi-channel brand. Key developments in each of the pillars are outlined below.

1. Focusing on UK retail
   - The UK store portfolio stood at 155 stores at the end of the first half (H1 2012: 153).
   - Investment in the store modernisation programme continues to generate good returns and is helping to mitigate the difficult market conditions. Nine modernisations which started in summer 2012 were completed in the early part of the half. Five stores which commenced in January 2013 are on track for completion in the summer with a further seven starting later in the second half.
   - The transformation of Oxford Street into our international flagship store is on plan. The interior will be completed in time for this year's peak trading with a phased reveal of the kinetic façade taking place between August 2013 and February 2014. Sales disruption due to this project is in line with previous guidance of c.10% and is expected to continue at this level in the second half.
   - A new store opened in Chesterfield in September 2012 and is trading successfully. The new store pipeline stands at 17 stores starting with Lichfield in May 2013. Four stores are currently expected to open in each of the financial years 2014 to 2017.

2. Delivering a compelling customer proposition
   - We continued to grow market share in key product categories. In the latest data, our total fashion share grew by 10 basis points including growth in womenswear and menswear. Our share of the premium beauty market increased by 50 basis points and we also made progress in home (Sources: fashion Kantar Worldpanel Fashion, 24 weeks to 17 March 2013, beauty NPD 52 weeks to March 2013, home GFK 33 weeks to 9 February 2013.)
   - Our focus on newness and product innovation resulted in the introduction of new brands including Ossie Clark. We have recently announced that milliner Stephen Jones and men's tailor Patrick Grant are joining the Designers at Debenhams portfolio. Our medium-term target for Designer sales is £750 million.
   - The sales density trials in Red Herring, Principles by Ben de Lisi and women's footwear have commenced. We will have initial results by the end of the summer.
   - Our increased investment in marketing is continuing to drive sales and improve brand perception. The first Christmas brand campaign for six years achieved our highest ever levels of brand awareness.

3. Increasing availability and choice through multi-channel
   - Group online sales grew by 46.2% to £194.4 million for the first half, well ahead of market growth of 13.0% (source: Kantar, 24 weeks to 17 March 2013), and represented 12.7% of total sales. Our medium-term sales target remains £600 million.
   - Mobile continues to be the fastest growing channel with sales up some 265% compared with the prior year.
   - Initiatives to enhance customer service through, for example, changes to the refund policy and the outsourcing of the customer contact centre have been well received by customers.

- We are working to improve the efficiency of our online activities. Evolving our fulfilment and delivery operations towards industry best practice will be key to achieving this. The ability to offer next day delivery to home in time for Christmas 2013 will enable us to grow sales and recover more of our delivery costs. The majority of fulfilment is now in-house following the ending of the Ventura contract at the end of March 2013.

4. Expanding the brand internationally
   - The total number of international stores stood at 79 at the end of the first half, comprising 62 franchise stores and 17 owned stores.
   - Six new franchise stores opened during the first half whilst 12 stores closed, taking the total at the end of the half to 62 in 24 countries. We remain on track for 150 stores in five years. The contracted pipeline has grown to 25 stores, starting with 10 in 2014, and discussions are ongoing for more than 50 other stores.
   - Amongst the 12 closures were six in Romania due to the failure of the franchise partner in a very difficult market. This has resulted in the write-off of a £3.8 million receivable.
   - Magasin du Nord, our Danish business, traded well through the half with like-for-like sales in local currency up 9.8%.
   - The Republic of Ireland continues to be a difficult market but we believe we are gaining market share.
   - We are delivering to 66 countries outside the UK. We are continuing to assess the lessons from the German website and are changing the way we trade as a consequence.

FINANCIAL REVIEW

Sales

Group gross transaction value (GTV) for the 26 weeks to 2 March 2013 grew by 3.5% to £1,535.1 million. UK GTV grew by 3.9% to £1,255.1 million, despite the adverse weather conditions, whilst International increased by 1.6% to £280.0 million.

Statutory revenue for the Group of £1,282.3 million was 3.6% higher than last year. UK statutory revenue grew by 3.9% to £1,076.1 million and International was 2.0% higher at £206.2 million.

Group like-for-like sales rose by 3.1% driven by growth in UK online and International (principally Magasin and online) which offset the weather-impacted performance of the UK stores, as shown below.

UK online like-for-like	+4.0%
UK stores like-for-like	-1.1%
International like-for-like	+0.2%
Group like-for-like	**+3.1%**
New UK space	+0.3%
International franchises	+0.1%
Group GTV	**+3.5%**

We continued to see strong growth from online sales which grew by 46.2% to £194.4 million and represented 12.7% of total sales (H1 2012: 9.0%, FY 2012: 9.3%).

Own bought product ranges continued to find favour with customers. Own bought sales increased by 3.6% during the first half, including a 3.1% increase in Designers at Debenhams sales. Concession sales grew by 3.4%. As a result, Group own bought mix increased marginally from 78.2% in the first half of last year to 78.3%. UK own bought mix was 81.7% (H1 2012 81.8%) whilst International own bought mix increased from 62.4% to 62.8%.

Gross margin

As announced in our trading update on 4 March, gross margin for the Group fell by 20 basis points during the first half. This was largely the result of additional promotional activity both before and after Christmas. First, as detailed in the 8 January 2013 trading update, two additional promotional days were added in the run-up to Christmas and existing promotions were strengthened in light of the highly competitive trading environment. Secondly, following the adverse weather in late January, additional promotional activity was undertaken during February to try to recover lost sales and clear terminal stock. Gross margin for the full year is expected to be flat year-on-year.

Stocks

Headline stock value increased by 3.8% for the first half. This was principally due to the purchase of additional stock for the online sales channels to meet higher demand (up 3.7%) and for new stores (up 0.5%) offset by lower stock in UK stores (down 0.4%). Terminal stock at the end of the half of 3.0% was in line with Debenhams' long-term average.

Costs

Total operating costs grew by 4.7% in the first half, largely due to investment in key areas of the business to drive long-term sustainable sales growth. These include marketing, in particular the Christmas brand campaign, buying and merchandising and higher fulfilment, distribution and customer acquisitions costs related to our multi-channel business. We also faced inflationary pressures in rent and rates as well as higher energy costs.

The Group benefitted from a pension credit under IAS 19 of £5.6 million during the period (H1 2012: £5.8 million). The credit for the full year will be £11.3 million (FY 2012: £11.7 million).

The net finance costs were £7.2 million in the first half compared to £7.8 million last year. This 7.7% decrease was due to a favourable foreign exchange impact.

In the second half of the year we expect to incur double running costs associated with the relocation of our head office of some £2 million. The impact on profits of the sales disruption arising out of the Oxford Street modernisation will also be c£2 million.

Profitability

For the Group, EBITDA decreased by 3.2% during the first half to £175.3 million and operating profit was 5.5% lower than last year at £127.5 million. This resulted in a 5.4% decline in Group profit before tax to £120.3 million (H1 2012: £127.1 million).

UK EBITDA fell by 3.5% to £147.4 million whilst UK operating profit of £104.8 million was 6.8% lower than last year. International EBITDA was 1.4% lower than a year ago at £27.9 million, including the write-off of a £3.8 million receivable on the closure of the Romanian franchise stores. International operating profit benefitted from lower depreciation in the Republic of Ireland and was up by 1.3% to £22.7 million.

Basic earnings per share of 7.6 pence increased by 2.7% over last year, benefitting from lower interest and taxation as well as a decrease in the number of shares. Diluted earnings per share were 7.6 pence (H1 2012: 7.4 pence).

Taxation

Taxation decreased from £31.6 million in the first half of last year to £25.1 million. This represents an effective tax rate of 20.9% based on the full year forecast (H1 2012: 24.9%). The lower effective tax rate versus the first half of last year is the result of a reduction in the UK's headline rate of corporation tax and the resolution of open issues relating to prior year items.

Cash generation and uses of cash

Debenhams remains a highly cash generative business with cash flow before financing and taxation of £112.8 million during the first half (H1 2012: £131.6 million).

The board has set clear priorities for the uses of cash:

1. To invest in the business to support the four pillars of the strategy.
2. To grow the dividend in line with maintaining three times cover.
3. To move toward one times net debt to EBITDA over the medium-term.
4. To return surplus cash to shareholders through a long-term share buyback programme.

The principal uses of cash during the first half were as follows:

- Capital investment: A total of £51.9 million was spent during the first half, up from £47.7 million in the same period a year ago. The largest areas of investment were UK store modernisations (29% of spend), systems (26%) and UK maintenance (21%). Guidance for the full year remains £135 million.
- Dividends: Total cash paid in dividends of £28.9 million related to the 2012 final dividend of 2.3 pence per share that was paid on 11 January 2013.
- Share buyback: The share buyback programme commenced in April 2012. During the first half of the year, shares to the value of £9.0 million were purchased (7.7 million shares). It is our intention that shares bought back are held in treasury for the time being. Guidance remains the purchase of up to £40 million worth of shares during the 12 month period to the October 2013 results announcement.

Net debt

Net debt stood at £321.6 million as at 2 March 2013, a decrease of £47.1 million since the start of the financial year and £9.8 million higher than at the same point a year ago. Net debt to EBITDA (last 12 months) of 1.2 times was unchanged from the same point a year ago.

Dividend

The board has resolved to pay an interim dividend of 1.0 pence per share. The dividend timetable is as follows:

Ex-dividend date	5 June 2013
Record date	7 June 2013
Payment date	5 July 2013

OUTLOOK

We expect to make further progress in the second half despite consumer sentiment remaining weak and challenging market conditions. We are committed to the opportunities afforded to us by the four pillars of our strategy to build a leading international, multi-channel brand. We are sure that this strategy is right for Debenhams and of the benefits it brings to the business and its shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties for the remainder of the year are largely unchanged from those detailed in the Group's Annual Report and Accounts for 2012. The board would highlight the following three risks as increasing in severity since the publication of that document and of particular relevance for the outcome of the financial year.

- Consistent fall in customer spending as a result of economic downturn, inflation or deflation
    - Increasing risk due to the ongoing economic situation meaning that households generally remain cautious about spending
- Disruptions or other adverse events affecting relationships with or the performance of major suppliers, franchise partners, store card providers, designers or concessionaires
    - Increasing risk due to the ongoing global economic situation and the impact this could have on a significant supplier or partner
    - Management is monitoring the financial status and trading performance of the Cypriot franchisee very closely given the current financial crisis in Cyprus
- Loss of business or additional expenditure caused by terrorism, strikes, riots, natural disasters (including adverse weather) or pandemics
    - Increasing risk due to the disruption caused by severe adverse weather across the UK during the latter part of the first half
    - Management strengthened planned promotional activity to recover lost sales

BOARD OF DIRECTORS

Peter Fitzgerald was appointed to the board as a non-executive on 4 October 2012 and is a member of the Audit Committee. Steve Ingham joined the board as a non-executive director on 8 January 2013 and is a member of the Remuneration Committee.

The board of directors as at 18 April 2013 is as follows: Nigel Northridge (chairman), Michael Sharp (chief executive), Simon Herrick (chief financial officer), Dennis Millard (senior independent non-executive director), Peter Fitzgerald (non-executive director), Steve Ingham (non-executive director), Martina King (non-executive director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

GOING CONCERN

After making enquiries, the directors of Debenhams plc consider that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in preparing these interim financial statements.

Notes to editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of 234 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 eleventh 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, Betty Jackson, Ben de Lisi, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge:

- the interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union;
- the financial highlights, review of business performance and interim financial information include a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and
- the financial highlights and review of business performance include a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Debenhams plc are listed on page 9 of this interim report.

By order of the board

Paul Eardley
Company Secretary
18 April 2013

Independent review report to Debenhams plc

Introduction

We have been engaged by the company to review the interim condensed consolidated financial information in the half-yearly financial report for the 26 weeks ended 2 March 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information in the half-yearly financial report for the 26 weeks ended 2 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
18 April 2013
London

Consolidated Income Statement
For the 26 weeks ended 2 March 2013

	Note	**Unaudited 26 weeks to 2 March 2013 £m**	Unaudited 26 weeks to 3 March 2012 £m	Audited 52 weeks to 1 September 2012 £m
Revenue	2,3	**1,282.3**	1,238.3	2,229.8
Cost of sales		**(1,080.7)**	(1,038.9)	(1,927.5)
Gross profit		**201.6**	199.4	302.3
Distribution costs		**(52.7)**	(42.3)	(81.0)
Administrative expenses		**(21.4)**	(22.2)	(46.3)
Operating profit	3	**127.5**	134.9	175.0
Finance income	6	**1.0**	0.6	1.2
Finance costs	7	**(8.2)**	(8.4)	(17.9)
Profit before taxation		**120.3**	127.1	158.3
Taxation	8	**(25.1)**	(31.6)	(33.0)
Profit for the financial period attributable to equity shareholders		**95.2**	95.5	125.3

Earnings per share attributable to the equity shareholders (expressed in pence per share)

		Pence per share	Pence per share	Pence per share
Basic	9	**7.6**	7.4	9.8
Diluted	9	**7.6**	7.4	9.8

The notes on pages 18-24 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Comprehensive Income
For the 26 weeks ended 2 March 2013

	Note	**Unaudited 26 weeks to 2 March 2013 £m**	Unaudited 26 weeks to 3 March 2012 £m	Audited 52 weeks to 1 September 2012 £m
Profit for the financial period		**95.2**	95.5	125.3
Other comprehensive income/(expense)				
Actuarial gains/(losses) recognised in the pension schemes	12	**19.8**	(13.0)	(82.3)
Deferred tax (charge)/credit on actuarial gains or losses		**(7.6)**	0.8	16.9
Current tax credit on the pension schemes		**1.2**	1.1	2.3
Change in the valuation of available-for-sale investments		**(0.2)**	(0.3)	(0.7)
Currency translation differences		**5.1**	(3.8)	(6.7)
Cash flow hedges				
- fair value gains		**13.4**	8.4	5.0
- tax on fair value gains		**(2.8)**	(2.1)	(1.6)
- reclassified and reported in net profit		**1.6**	-	2.0
- tax charge on items reclassified and reported in net profit		**(0.8)**	-	(0.4)
- recycled and adjusted against cost of sales		**(2.6)**	0.4	(1.9)
- tax credit/(charge) on items recycled against cost of sales		**0.6**	(0.1)	0.5
Total other comprehensive income/(expense)		**27.7**	(8.6)	(66.9)
Total comprehensive income for the period		**122.9**	86.9	58.4

The notes on pages 18-24 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet
At 2 March 2013

	Note	Unaudited 2 March 2013 £m	Unaudited 3 March 2012 £m	Audited 1 September 2012 £m
ASSETS				
Non-current assets				
Intangible assets	11	**872.7**	861.7	864.9
Property, plant and equipment	11	**660.5**	629.4	661.6
Available-for-sale investments		**1.7**	2.2	1.9
Derivative financial instruments		**7.2**	0.7	0.8
Other receivables		**17.2**	17.3	19.3
Retirement benefit assets	12	**3.8**	4.1	-
Deferred tax assets		**74.0**	78.5	83.2
		1,637.1	1,593.9	1,631.7
Current assets				
Inventories		**353.1**	340.2	332.3
Trade and other receivables		**70.2**	71.9	75.4
Derivative financial instruments		**14.9**	6.8	7.8
Cash and cash equivalents	15	**30.6**	38.8	44.0
		468.8	457.7	459.5
LIABILITIES				
Current liabilities				
Bank overdraft and borrowings	15	**(103.2)**	(107.1)	(163.4)
Derivative financial instruments		**(4.0)**	(0.9)	(1.9)
Trade and other payables		**(537.9)**	(515.7)	(525.4)
Current tax liabilities		**(36.4)**	(50.5)	(31.0)
Provisions		**(7.1)**	(6.3)	(5.3)
		(688.6)	(680.5)	(727.0)
Net current liabilities		**(219.8)**	(222.8)	(267.5)
Non-current liabilities				
Bank overdraft and borrowings	15	**(249.0)**	(243.5)	(249.3)
Derivative financial instruments		**(5.6)**	(5.2)	(8.9)
Deferred tax liabilities		**(64.8)**	(75.4)	(64.7)
Other non-current liabilities		**(319.7)**	(321.3)	(321.9)
Provisions		**(1.2)**	(1.2)	(1.1)
Retirement benefit obligations	12	**(30.6)**	(3.0)	(57.3)
		(670.9)	(649.6)	(703.2)
NET ASSETS		**746.4**	721.5	661.0
SHAREHOLDERS' EQUITY				
Share capital	13	**0.1**	0.1	0.1
Share premium account		**682.9**	682.9	682.9
Merger reserve		**1,200.9**	1,200.9	1,200.9
Reverse acquisition reserve		**(1,199.9)**	(1,199.9)	(1,199.9)
Hedging reserve		**6.8**	0.4	(2.6)
Other reserves		**(5.6)**	(7.2)	(10.5)
Retained earnings		**61.2**	44.3	(9.9)
TOTAL EQUITY		**746.4**	721.5	661.0

The notes on pages 18-24 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Changes in Equity

At 2 March 2013

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Hedging reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 September 2012	**683.0**	**1,200.9**	**(1,199.9)**	**(2.6)**	**(10.5)**	**(9.9)**	**661.0**
Profit for the financial period	-	-	-	-	-	95.2	95.2
Actuarial gain on pension schemes	-	-	-	-	-	19.8	19.8
Deferred tax payable on pension schemes	-	-	-	-	-	(7.6)	(7.6)
Current tax credit on pension schemes	-	-	-	-	-	1.2	1.2
Change in the value of available-for-sale investments	-	-	-	-	(0.2)	-	(0.2)
Currency translation differences	-	-	-	-	5.1	-	5.1
Cash flow hedges							
- net fair value gains (net of tax)	-	-	-	10.6	-	-	10.6
- reclassified and reported in net profit (net of tax)	-	-	-	0.8	-	-	0.8
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(2.0)	-	-	(2.0)
Total comprehensive income and expense for the financial period	**-**	**-**	**-**	**9.4**	**4.9**	**108.6**	**122.9**
Share-based payment charge	-	-	-	-	-	0.2	0.2
Share-based payment receipts						0.2	0.2
Purchase of treasury shares	-	-	-	-	-	(9.0)	(9.0)
Dividend paid in period	-	-	-	-	-	(28.9)	(28.9)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(37.5)**	**(37.5)**
Balance at 2 March 2013	**683.0**	**1,200.9**	**(1,199.9)**	**6.8**	**(5.6)**	**61.2**	**746.4**

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Hedging reserve	Other reserves	Retained earnings	Total
Balance at 3 September 2011	**683.0**	**1,200.9**	**(1,199.9)**	**(6.2)**	**(3.1)**	**(15.1)**	**659.6**
Profit for the financial period	-	-	-	-	-	95.5	95.5
Actuarial loss on pension schemes	-	-	-	-	-	(13.0)	(13.0)
Deferred tax credit on pension schemes	-	-	-	-	-	0.8	0.8
Current tax credit on pension schemes	-	-	-	-	-	1.1	1.1
Change in the value of available-for-sale investments	-	-	-	-	(0.3)	-	(0.3)
Currency translation differences	-	-	-	-	(3.8)	-	(3.8)
Cash flow hedges							
- net fair value gains (net of tax)	-	-	-	6.3	-	-	6.3
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	0.3	-	-	0.3
Total comprehensive income and expense for the financial period	**-**	**-**	**-**	**6.6**	**(4.1)**	**84.4**	**86.9**
Share-based payment charge	-	-	-	-	-	0.7	0.7
Dividend paid in period	-	-	-	-	-	(25.7)	(25.7)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(25.0)**	**(25.0)**
Balance at 3 March 2012	**683.0**	**1,200.9**	**(1,199.9)**	**0.4**	**(7.2)**	**44.3**	**721.5**

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Hedging reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 3 September 2011	**683.0**	**1,200.9**	**(1,199.9)**	**(6.2)**	**(3.1)**	**(15.1)**	**659.6**
Profit for the financial year	-	-	-	-	-	125.3	125.3
Actuarial loss on pension schemes	-	-	-	-	-	(82.3)	(82.3)
Deferred tax credit on pension schemes	-	-	-	-	-	16.9	16.9
Current tax credit on pension schemes	-	-	-	-	-	2.3	2.3
Change in the value of available-for-sale investments	-	-	-	-	(0.7)	-	(0.7)
Currency translation differences	-	-	-	-	(6.7)	-	(6.7)
Cash flow hedges							
- net fair value losses (net of tax)	-	-	-	3.4	-	-	3.4
- reclassified and reported in net profit (net of tax)	-	-	-	1.6	-	-	1.6
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(1.4)	-	-	(1.4)
Total comprehensive income and expense for the financial year	**-**	**-**	**-**	**3.6**	**(7.4)**	**62.2**	**58.4**
Share-based payment charge	-	-	-	-	-	1.6	1.6
Purchase of treasury shares	-	-	-	-	-	(20.1)	(20.1)
Dividends paid	-	-	-	-	-	(38.5)	(38.5)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(57.0)**	**(57.0)**
Balance at 1 September 2012	**683.0**	**1,200.9**	**(1,199.9)**	**(2.6)**	**(10.5)**	**(9.9)**	**661.0**

The notes on pages 18-24 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement

For the 26 weeks ended 2 March 2013

	Note	**Unaudited 26 weeks to 2 March 2013**	Unaudited 26 weeks to 3 March 2012	Audited 52 weeks to 1 September 2012
Cash flows from operating activities				
Cash generated from operations	14	**164.7**	179.3	259.7
Finance income		**0.1**	0.2	0.2
Finance costs		**(6.6)**	(6.9)	(13.8)
Tax paid		**(19.7)**	(26.3)	(44.6)
Net cash generated from operating activities		**138.5**	146.3	201.5
Cash flows from investing activities				
Purchase of property, plant and equipment		**(40.1)**	(39.1)	(101.4)
Purchase of intangible assets		**(11.8)**	(8.6)	(17.2)
Net cash used in investing activities		**(51.9)**	(47.7)	(118.6)
Cash flows from financing activities				
Repayment of facility		**(55.0)**	(60.0)	(10.0)
Purchase of treasury shares		**(9.0)**	-	(20.1)
Dividends paid		**(28.9)**	(25.7)	(38.5)
Receipt of monies for employee share options		**0.2**	-	-
Finance lease payments		**(1.4)**	-	(2.2)
Net cash used in financing activities		**(94.1)**	(85.7)	(70.8)
Net (decrease)/increase in cash and cash equivalents	15	**(7.5)**	12.9	12.1
Net cash and cash equivalents at beginning of financial period		**34.6**	22.8	22.8
Foreign exchange gains/(losses) on cash and cash equivalents		**0.1**	(0.1)	(0.3)
Net cash and cash equivalents at end of financial period	15	**27.2**	35.6	34.6

The notes on pages 18-24 form an integral part of this condensed consolidated interim financial information.

1 Basis of preparation

This interim report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 “Interim Financial Reporting” as adopted by the European Union. The condensed consolidated financial statements for the 26 weeks ended 2 March 2013 should be read in conjunction with the annual financial statements for the 52 weeks ended 1 September 2012 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the 52 weeks ended 1 September 2012, which are available on our website www.debenhamsplc.com.

The Group’s interim condensed consolidated financial information is not audited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. Comparative figures for the 52 weeks ended 1 September 2012 have been extracted from the Group’s 2012 annual report and financial statements, on which the auditors gave an unqualified opinion and did not include a statement under Section 498 of the Companies Act 2006. The full financial statements for those 52 weeks have been filed with the Registrar of Companies.

New or revised standards or interpretations which were mandatory for the first time in the financial year beginning 2 September 2012 did not have a material impact on the net assets or results of the Group.

At the date of approval of these financial statements, IAS 19 (Revised) “Employee Benefits” was in issue but not yet effective. Other standards and interpretations in issue, but not yet effective, are not expected to have a material effect on the Group’s net assets or results.

The directors anticipate that the adoption of IAS 19 (Revised) “Employee Benefits” in the financial year starting 1 September 2013 will potentially have a material impact, dependent upon market conditions, on the financial statements of the Group. The revised standard changes a number of disclosure requirements for post-employment arrangements and restricts the accounting options available for defined benefit pension plans. The return on pension plan assets and finance charge will be replaced by a net interest expense or income, calculated by applying the liability discount rate to the net defined benefit asset or liability. When restated under the new standard, the Group estimates this change would result in an increase in the pension charge of approximately £15 million in the year ending 31 August 2013 with a corresponding increase in net actuarial gains on pension schemes before tax. The revised standard has been endorsed by the EU.

2 Gross transaction value

Revenue from concession and consignment sales is required to be shown on a net basis, being the commission received rather than the gross value achieved on the sale. Management believes that gross transaction value, which presents revenue on a gross basis before adjusting for concessions, consignments, staff discounts and the cost of loyalty scheme points, represents a good guide to the overall activity of the Group.

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
Gross transaction value	**1,535.1**	1,483.6	2,708.0

3 Segmental information

IFRS 8 "Operating Segments" requires disclosure of the operating segments which are reported to the Chief Operating Decision Maker ("CODM"). The CODM has been identified as the executive committee, which includes the executive directors and other key management. It is the executive committee that has responsibility for planning and controlling the activities of the Group.

The Group's reportable segments have been identified in the 2012 Annual Report as the UK and International. These were re-stated from the previous financial year to reflect better the way in which financial performance is managed. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. The Group does not review the assets and liabilities by operating segment as these are reviewed on a Group-wide basis given their transposable nature. As a result, no such analysis has been provided.

Segmental analysis of results	UK £m	International £m	Total £m
26 weeks ended 2 March 2013			
Gross transaction value	**1,255.1**	**280.0**	**1,535.1**
Concessions, consignments, staff discounts, loyalty schemes	**(179.0)**	**(73.8)**	**(252.8)**
External revenue	**1,076.1**	**206.2**	**1,282.3**
Operating profit	**104.8**	**22.7**	**127.5**
26 weeks ended 3 March 2012 (re-stated)			
Gross transaction value	1,208.0	275.6	1,483.6
Concessions, consignments, staff discounts, loyalty schemes	(171.8)	(73.5)	(245.3)
External revenue	1,036.2	202.1	1,238.3
Operating profit	112.5	22.4	134.9
52 weeks ended 1 September 2012			
Gross transaction value	2,204.6	503.4	2,708.0
Concessions, consignments, staff discounts, loyalty schemes	(344.3)	(133.9)	(478.2)
External revenue	1,860.3	369.5	2,229.8
Operating profit	144.3	30.7	175.0

4 Operating profit

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
The amounts of inventory written down during the financial year	**5.8**	6.7	13.0
Cost of inventories recognised as an expense	**655.0**	642.5	1,131.2
Employment costs (note 5)	**184.7**	185.3	360.0
Depreciation and amortisation	**47.7**	46.2	91.6
Loss on disposal of property, plant and equipment	**0.1**	-	0.2
Operating lease rentals	**103.2**	101.6	203.6
Foreign exchange gains	**(8.1)**	(7.9)	(14.8)

5 Employment costs

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
Wages and salaries	**173.1**	173.3	336.1
Social security costs	**10.8**	11.0	21.9
Pension cost	**0.6**	0.3	0.4
Share-based payments	**0.2**	0.7	1.6
	184.7	185.3	360.0

6 Finance income

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
Interest on bank deposits	**0.2**	0.1	0.1
Other financing income	**0.8**	0.5	1.1
	1.0	0.6	1.2

7 Finance costs

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
Bank loans and overdrafts	**4.8**	5.9	11.7
Cash flow hedge reclassified and reported in net profit	**1.6**	1.1	2.0
Amortisation of issue costs on loans	**1.4**	1.4	2.9
Interest payable on finance leases	**0.4**	-	0.1
Other financing charges	**-**	-	1.2
	8.2	8.4	17.9

8 Taxation

The taxation charge for the 26 weeks ended 2 March 2013 is based on an estimated effective tax rate for the full year of 20.9% (52 weeks ended 1 September 2012: 20.8%). This is lower than the standard rate of corporation tax (23.6% blended rate) mainly due to the utilisation of overseas losses brought forward from prior periods and other prior year items.

9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding any shares purchased by the Company and held as treasury shares.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares, those share options granted to employees where the exercise price is less than the market price of the Company's ordinary shares during the period.

Basic and diluted earnings per share	**Basic**	**26 weeks to 2 March 2013 Diluted**	Basic	26 weeks to 3 March 2012 Diluted	Basic	52 weeks to 1 September 2012 Diluted
	£m	**£m**	£m	£m	£m	£m
Profit for the financial period after taxation	**95.2**	**95.2**	95.5	95.5	125.3	125.3
	Number m	**Number m**	Number m	Number m	Number m	Number M
Weighted average number of shares	**1259.0**	**1,259.0**	1,286.8	1,286.8	1,282.0	1,282.0
Shares held by ESOP (weighted)	**(0.6)**	**(0.6)**	(0.6)	(0.6)	(0.7)	(0.7)
Shares issuable (weighted)	**-**	**2.1**	-	1.0	-	1.4
	1,258.4	**1,260.5**	1,286.2	1,287.2	1,281.3	1,282.7
	Pence per share	**Pence per share**	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	**7.6**	**7.6**	7.4	7.4	9.8	9.8

10 Dividends

The Company paid a final dividend in respect of the 52 weeks ended 1 September 2012 of 2.3 pence per share on 11 January 2013. The directors have resolved to pay an interim dividend in respect of the 26 weeks ended 2 March 2013 of 1.0 pence per share (3 March 2012: 1.0 pence) which will absorb an estimated £12.6 million of shareholders' funds (3 March 2012: £12.9 million). It will be paid on 5 July 2013 to shareholders who are on the register of members at close of business on 7 June 2013.

11 Tangible and intangible assets and commitments

	Tangible and intangible assets		
	2 March 2013 £m	3 March 2012 £m	1 September 2012 £m
Opening net book amount	**1,526.5**	1,492.7	1,492.7
Additions	**50.1**	47.4	130.8
Foreign currency revaluation	**4.4**	(2.8)	(5.2)
Disposals	**(0.1)**	-	(0.2)
Depreciation and amortisation	**(47.7)**	(46.2)	(91.6)
Closing net book amount	**1,533.2**	1,491.1	1,526.5

Capital commitments contracted but not provided for by the Group amounted to £16.1 million (1 September 2012: £14.9 million; 3 March 2012: £29.9 million).

12 Defined benefit pension plans

The Group operates defined benefit type pension schemes, being the Debenhams Executive Pension Plan ("DEPP") and the Debenhams Retirement Scheme ("DRS") (together "the Group's pension schemes"), 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 in the UK and Hong Kong or a defined contribution scheme for the employees in the Republic of Ireland and Denmark.

In accordance with the recovery plan for the Group's pension schemes, which is intended to restore the schemes to a fully funded position on an ongoing basis, the Group agreed to increase its contributions to the Group's pension schemes to £7.0 million per annum from 1 April 2011 until 31 August 2021, increasing by annual RPI from the year to the previous December. The Group also agreed to increase its contributions to the pension schemes to £8.9 million per annum for the period from 1 April 2012 to 31 August 2022 increasing by the percentage increase in the RPI over the year to the previous December.

Additionally, the Group has agreed to cover the non-investment expenses and levies of the pension schemes, including those payable to the Pension Protection Fund.

The investment strategy for the Group's pension schemes was changed during the year ended 3 September 2011. Investment of the schemes' assets is now arranged by AON Hewitt Limited under a delegated consulting service agreement. As at 2 March 2013, most of the schemes' assets are invested in a growth component or a liability hedging component.

Actuarial valuations of the Group's pension schemes using the projected unit basis were carried out at 31 March 2011 and updated as at each relevant year end for the purposes of IAS 19 "Employee Benefits" by Towers Watson Limited, a qualified independent actuary. The 31 March 2011 actuarial valuation has been used when calculating the IAS 19 "Employee Benefits" valuation at 2 March 2013. The major assumptions used by the actuary were:

	2 March 2013 per annum %	3 March 2012 per annum %	1 September 2012 per annum %
Inflation assumption	**3.30**	3.10	2.90
General salary and wage increase	**3.30**	3.10	2.90
Rate of increase in pension payments and deferred payments	**3.30**	3.10	2.90
Pension increase rate	**3.20**	3.00	2.80
Discount rate	**4.60**	5.00	4.70

The movement in the net pension (deficit)/surplus is as follows:

	2 March 2013 £m	3 March 2012 £m	1 September 2012 £m
Fair value of scheme assets	**664.9**	609.6	583.7
Defined benefit obligation	**(691.7)**	(608.5)	(641.0)
Net pension (deficit)/surplus	**(26.8)**	1.1	(57.3)
(Deficit)/surplus at the start of the period	**(57.3)**	3.9	3.9
Company contributions	**5.1**	4.4	9.4
Pension credit	**5.6**	5.8	11.7
Net actuarial gains/(losses)	**19.8**	(13.0)	(82.3)
(Deficit)/surplus at the end of the period	**(26.8)**	1.1	(57.3)

13 Share capital

	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each		
At 1 September 2012 and 3 March 2012	**128,680**	**1,286,806,299**
Options exercised	3	22,554
At 2 March 2013	**128,683**	**1,286,828,853**

During the period the Company purchased 7,720,180 of its own ordinary shares at a nominal value of £772 (52 weeks ended 1 September 2012: 23,559,155 shares with a nominal value £2,356). The ordinary shares were purchased for a consideration of £9.0 million (52 weeks ended 1 September 2012: £20.1 million). The 30,867,005 shares purchased to date are held as Treasury shares and represent 2.4% (2012: 1.8%) of the called-up share capital of that class of share.

14 Cash generated from operations

	26 weeks to 2 March 2013 £m	26 weeks to 3 March 2012 £m	52 weeks to 1 September 2012 £m
Profit for the financial period	**95.2**	95.5	125.3
Taxation	**25.1**	31.6	33.0
Depreciation and amortisation (note 11)	**47.7**	46.2	91.6
Loss on disposal of property, plant and equipment	**0.1**	-	0.2
Employee options granted during the financial period	**0.2**	0.7	1.6
Fair value losses/(gains) on derivative instruments	**1.6**	(2.8)	(3.1)
Net movements in provisions	**1.8**	0.1	(1.0)
Finance income (note 6)	**(1.0)**	(0.6)	(1.2)
Finance costs (note 7)	**8.2**	8.4	17.9
Difference between pension charge and contributions paid	**(10.8)**	(10.2)	(21.1)
Net movement in other long-term receivables	**3.5**	0.2	(2.6)
Net movement in other non-current liabilities	**(2.2)**	2.4	2.9
Changes in working capital			
Increase in inventories	**(20.4)**	(19.2)	(11.5)
Decrease/(increase) in trade and other receivables	**5.3**	(0.2)	(4.7)
Increase in trade and other payables	**10.4**	27.2	32.4
Cash generated from operations	**164.7**	179.3	259.7

15 Analysis of changes in net debt

	At 1 September 2012 £m	Cash flow £m	Non cash movements £m	**At 2 March 2013 £m**
Analysis of net debt				
Cash and cash equivalents	44.0	(13.5)	0.1	**30.6**
Bank overdrafts	(9.4)	6.0	-	**(3.4)**
Cash and cash equivalents	34.6	(7.5)	0.1	**27.2**
Debt due within one year	(151.8)	55.0	(1.2)	**(98.0)**
Debt due after one year	(244.8)	-	(0.2)	**(245.0)**
Finance lease obligations due within one year	(2.2)	1.4	(1.0)	**(1.8)**
Finance lease obligations due after one year	(4.5)	-	0.5	**(4.0)**
	(368.7)	48.9	(1.8)	**(321.6)**

16 Related parties

There have been no significant related party transactions during the period.

17 Financial information

Copies of the statutory accounts are available from the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: 0871 384 2766), and at the Company's registered office, 1 Welbeck Street, London, W1G 0AA.