Michael Sharp
Chief Executive
First half highlights

- **Strategy to create a leading international, multi-channel brand**
- **Resilient first half performance in challenging market**
  + Evidence of strategy working plus pragmatic approach to trading
- **PBT ahead of last year**
- **Strong cash generation and debt reduction**
- **Experienced management team in place**
- **Launching long-term share buyback programme**
Simon Herrick
CFO
Results highlights H1 12

Group gross transaction value +1.4%
Like-for-like sales ex VAT +0.3%
Like-for-like sales inc VAT +1.4%
Gross margin -30bps
Reported profit before tax +1.4%
Headline profit before tax* £128.5m
Net debt reduction £72m
Earnings per share 7.4p

* After adding back £1.4m of amortisation on capitalised bank fees (H1 11: £3.9m)
Performance track record

Gross transaction value (LTM)\(^{(a)}\)
£bn

- H2 08
- H1 09
- H2 09
- H1 10
- H2 10
- H1 11
- H2 11
- H1 12

Gross margin % (LTM)\(^{(b)}\)
Indexed

- H2 08
- H1 09
- H2 09
- H1 10
- H2 10
- H1 11
- H2 11
- H1 12

Profit before tax (LTM)\(^{(a)}\)
£m

- H2 08
- H1 09
- H2 09
- H1 10
- H2 10
- H1 11
- H2 11
- H1 12

Net debt \(^{(a)}\)
£m

- H2 08
- H1 09
- H2 09
- H1 10
- H2 10
- H1 11
- H2 11
- H1 12

(a) Includes Magasin
(b) Excludes Magasin

Note: LTM = Last twelve months
## Trading results

<table>
<thead>
<tr>
<th>£m</th>
<th>Excl. Magasin</th>
<th>Magasin</th>
<th>H1 12</th>
<th>H1 11</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross transaction value</td>
<td>1,346.0</td>
<td>137.6</td>
<td>1,483.6</td>
<td>1,463.0</td>
<td>+1.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>169.7</td>
<td>11.4</td>
<td>181.1</td>
<td>183.0</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>126.0</td>
<td>8.9</td>
<td>134.9</td>
<td>137.7</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Interest</td>
<td>(7.8)</td>
<td>0.0</td>
<td>(7.8)</td>
<td>(12.4)</td>
<td>+37.1%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>118.2</td>
<td>8.9</td>
<td>127.1</td>
<td>125.3</td>
<td>+1.4%</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td>(31.6)</td>
<td>(33.8)</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td></td>
<td>95.5</td>
<td>91.5</td>
<td>+4.4%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td></td>
<td></td>
<td>7.4p</td>
<td>7.1p</td>
<td>+4.2%</td>
</tr>
</tbody>
</table>
Market share

- **Total fashion**: 4.7% (2012), 4.7% (2011)
- **Womenswear**: 5.1% (2012), 5.2% (2011)
- **Menswear**: 4.8% (2012), 4.6% (2011)
- **Childrenswear**: 3.5% (2012), 3.5% (2011)
- **Health & beauty**: 29.1% (2012), 28.0% (2011)

**Source:**
- *Clothing*: Kantar Worldpanel Fashion 12 weeks market share data to 18 March 2012 vs. 2011
- *Health & Beauty*: NPD 52 weeks to February 2012
Gross margin

Underlying margin

Product mix

*Excluding Magasin

H1 12 vs. H1 11 (bps)

Underlying margin

Product mix

Own bought product mix*

*Excluding Magasin
Online highlights

Gross transaction value: £124.3m
Sales growth: +34.7%
EBITDA growth: +36.4%

Online GTV history

Note: Online percentage of Group GTV excluding Magasin
International franchise highlights

Gross transaction value: £44.1m
Sales growth: +23.5%
EBITDA growth: +13.1%

International GTV history

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Transaction Value (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 10</td>
<td>32.9</td>
</tr>
<tr>
<td>H1 11</td>
<td>35.7</td>
</tr>
<tr>
<td>H1 12</td>
<td>44.1</td>
</tr>
</tbody>
</table>

Franchise stores
- FY 10: 60
- FY 11: 64
- H1 12: 67

Countries
- FY 10: 23
- FY 11: 25
- H1 12: 25
## Store and distribution costs

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>H1 12</th>
<th>H1 11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll</strong></td>
<td></td>
<td>149.8</td>
<td>154.9</td>
</tr>
<tr>
<td>% to sales</td>
<td></td>
<td>10.1%</td>
<td>10.6%</td>
</tr>
<tr>
<td><strong>Store rent</strong></td>
<td></td>
<td>91.5</td>
<td>92.3</td>
</tr>
<tr>
<td>% to sales</td>
<td></td>
<td>6.2%</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total distribution</strong></td>
<td></td>
<td>42.3</td>
<td>37.6</td>
</tr>
<tr>
<td>% to sales</td>
<td></td>
<td>2.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Year</td>
<td>Sq. ft. (ooo)</td>
<td>Number of stores</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>---------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td><strong>2011 close</strong></td>
<td>12,443</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>Dept. stores</td>
<td>Newbury</td>
<td>53</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Trafford extension</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td><strong>H1 2012 close</strong></td>
<td>12,503</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>Dept. store</td>
<td>Dumfries</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td><strong>2012 close</strong></td>
<td>12,527</td>
<td>171</td>
<td></td>
</tr>
</tbody>
</table>
Capital investment

H1 12

- New stores: 14%
- Magasin: 11%
- Modernisations: 8%
- Systems: 26%
- Maintenance: 25%
- Warehouse: 21%
- Other: 24%

£48m

FY 12 guidance

- New stores: 10%
- Magasin: 6%
- Modernisations: 14%
- Systems: 10%
- Maintenance: 8%
- Warehouse: 9%
- Other: 5%

c.£120m
## Balance sheet highlights

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 12</th>
<th>FY 11</th>
<th>H1 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>1,594</td>
<td>1,595</td>
<td>1,570</td>
</tr>
<tr>
<td>Stock</td>
<td>340</td>
<td>321</td>
<td>326</td>
</tr>
<tr>
<td>Other working capital</td>
<td>(444)</td>
<td>(417)</td>
<td>(425)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(312)</td>
<td>(384)</td>
<td>(352)</td>
</tr>
<tr>
<td>Liabilities and charges</td>
<td>(456)</td>
<td>(455)</td>
<td>(483)</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td><strong>722</strong></td>
<td><strong>660</strong></td>
<td><strong>636</strong></td>
</tr>
</tbody>
</table>
Stock

Headline increase
- +4.5%
- 1.9%
- 1.5%
- 1.1%

New stores

Online expansion

Department store mix

Terminal stock

2.7%

Unit density (excluding Magasin)

<table>
<thead>
<tr>
<th></th>
<th>Dept stores</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 09</td>
<td>4.9</td>
<td>0.1</td>
</tr>
<tr>
<td>H1 10</td>
<td>4.2</td>
<td>0.3</td>
</tr>
<tr>
<td>H1 11</td>
<td>4.1</td>
<td>0.4</td>
</tr>
<tr>
<td>H1 12</td>
<td>4.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>
## Operating cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 12</th>
<th>FY 11</th>
<th>H1 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit (a)</td>
<td>134.0</td>
<td>182.1</td>
<td>137.0</td>
</tr>
<tr>
<td>Depreciation(b)</td>
<td>41.5</td>
<td>81.6</td>
<td>41.7</td>
</tr>
<tr>
<td>Amortisation</td>
<td>4.7</td>
<td>8.5</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>180.2</strong></td>
<td><strong>272.2</strong></td>
<td><strong>182.3</strong></td>
</tr>
<tr>
<td>Working capital(a)</td>
<td>(0.9)</td>
<td>(22.6)</td>
<td>(13.0)</td>
</tr>
<tr>
<td>Capital investment</td>
<td>(47.7)</td>
<td>(114.0)</td>
<td>(45.6)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets and investments(a)</td>
<td>-</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating cash flow before financing, interest and taxation (a)</strong></td>
<td><strong>131.6</strong></td>
<td><strong>140.6</strong></td>
<td><strong>123.7</strong></td>
</tr>
</tbody>
</table>

(a) Figures exclude the impact of the Lloyds sale and leaseback
(b) Depreciation includes profit/loss on disposal of fixed assets and investments
# Movement in net debt

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 12</th>
<th>FY 11</th>
<th>H1 11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating cash flow before financing, interest and taxation</strong>*</td>
<td>131.6</td>
<td>140.6</td>
<td>123.7</td>
</tr>
<tr>
<td><strong>Uses of cash:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(26.3)</td>
<td>(48.6)</td>
<td>(24.1)</td>
</tr>
<tr>
<td>Financing</td>
<td>(6.7)</td>
<td>(25.6)</td>
<td>(12.9)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(25.7)</td>
<td>(12.9)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flow</strong>*</td>
<td>72.9</td>
<td>53.5</td>
<td>86.7</td>
</tr>
<tr>
<td>Lease transactions</td>
<td>-</td>
<td>79.3</td>
<td>79.3</td>
</tr>
<tr>
<td>Other non-cash movements</td>
<td>(1.0)</td>
<td>0.3</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Change in net debt</strong></td>
<td>71.9</td>
<td>133.1</td>
<td>165.2</td>
</tr>
<tr>
<td>Opening net debt</td>
<td>(383.7)</td>
<td>(516.8)</td>
<td>(516.8)</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(311.8)</td>
<td>(383.7)</td>
<td>(351.6)</td>
</tr>
</tbody>
</table>

*Figures exclude the impact of the Lloyds sale and leaseback*
Priorities for cash

- Invest in business to support 4 pillars of strategy
- Grow dividend in line with maintaining 3x cover
- Move towards 1x net debt/EBITDA over medium-term
- Return surplus cash to shareholders through long-term share repurchase programme
Summary

Group gross transaction value +1.4%
Like-for-like sales ex VAT +0.3%
Like-for-like sales inc VAT +1.4%
Gross margin -30bps
Reported profit before tax +1.4%
Headline profit before tax* £128.5m
Net debt reduction £72m
Earnings per share 7.4p

* After adding back £1.4m of amortisation on capitalised bank fees (H1 11: £3.9m)
DEBENHAMS

A leading international, multi-channel brand
A leading international, multi-channel brand

The four pillars of the strategy

1. Focusing on UK retail
2. Delivering a compelling customer proposition
3. Increasing availability and choice through multi-channel
4. Expanding the brand internationally
A leading international, multi-channel brand

1. Focusing on UK retail

- Improve UK core stores
- Accelerate store modernisations
- Open new stores
1. Focusing on UK retail

- Drive sales in advance of modernisation by focusing on retail basics, adding choice and improving presentation
1. Focusing on UK retail

- 45 outstanding modernisations to be completed in 2 years
- 9 currently on site, 9 more in May
- Recent modernisations delivering c6% sales uplift and c15% ROCE
A leading international, multi-channel brand

1. Focusing on UK retail

Modernising Oxford Street
Open new stores

- Potential for up to 240 stores in UK/RoI
- Currently 164 stores in UK/RoI
- Newbury opened in H1
- Additional 5 stores signed in H1; pipeline now at 14
- Another 25 opportunities in discussion
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

Brand and product strategy

Instore execution

Communicating the proposition
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

Brand and product strategy

- Proven ability to build and develop own brands
- Unique, exclusive, differentiated product offer providing market leading choice of categories and good/better/best price architecture
- Evidence of strategy working seen in H1
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

H1 12 new brand launches
2. Delivering a compelling customer proposition

- Improving standards of visual merchandising and product presentation is a priority
- Using “model store” to spread best practice
- Large format photography is key to communicating choice, value and newness
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

Communicating the proposition

- Consistent marketing with Life Made Fabulous
- Improving perceptions of the Debenhams brand
- Joined up communication across all media
- Speaking with one voice in prime and promotional marketing
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

Joined up communication: H! by Henry Holland

TV

Print

Store window
A leading international, multi-channel brand

2. Delivering a compelling customer proposition

Speaking with one voice: J by Jasper Conran

Prime

Promotional
A leading international, multi-channel brand

3. Increasing availability and choice through multi-channel

Increasing choice

More ways to shop

Improving the customer experience
A leading international, multi-channel brand

3. Increasing availability and choice through multi-channel

Increasing choice

- Wider choice of brands, products and categories
- Expanding non-clothing offer
- Improving availability
  - Endless Aisle
- Continue to develop fulfilment & logistics capability to offer more delivery options
A leading international, multi-channel brand

3. Increasing availability and choice through multi-channel

More ways to shop

- Improving multi-channel visibility
- Encouraging results from instore kiosks
- Mobile growing rapidly
- Wifi in all stores from May
- Rollout of home catalogue
A leading international, multi-channel brand

3. Increasing availability and choice through multi-channel

Improving the customer experience

- Improving visual merchandising and product presentation
- Track and trace now live
- Webchat launched
- Outsourcing customer contact centre to improve customer service and efficiency
A leading international, multi-channel brand

4. Expanding the brand internationally

International franchise stores

Owned international assets

International online
4. Expanding the brand internationally

- 67 stores in 25 countries
- 3 new stores in H1
- 13 stores in pipeline
- 50 more in discussion
- Target: 130 stores by 2016/17
A leading international, multi-channel brand

4. Expanding the brand internationally

Owned international assets

- Good H1 performance by Magasin
- Further margin opportunities
- Now reporting to international division
A leading international, multi-channel brand

4. Expanding the brand internationally

- Country specific websites
  - Ireland since 2010
  - Germany launches May 2012
  - Further sites to follow

- Online delivery
  - Now delivering to 40 countries
  - Expanding to nearly 70 by summer
Outlook

- Good H1 reflecting strong execution of strategy
- Remain cautious on consumer behaviour for balance of year, particularly in light of summer events
- H2 likely to experience some disruption from store modernisations
- Remain comfortable with market’s current outlook for full year
- Confident that we have the right strategy
Summary: medium-term objectives

- Potential for up to 240 UK/Ireland stores
- Complete 45 store modernisations in next 2 years
- Grow Designers at Debenhams sales to £750m
- Grow online sales to £500m, 20% from international
- Double number of franchise stores to 130
- Execute long-term share buyback programme