

15 March 2011

DEBENHAMS PLC: FIRST HALF TRADING UPDATE

Debenhams plc, the leading department stores group, today releases a trading update for the first half of its 2011 financial year which comprises the 26 weeks to 26 February 2011.

Group gross transaction value for the first half increased by 3.2% over the previous year. Group like-for-like sales¹ for the period were flat including VAT and down 1.5% excluding VAT. Magasin du Nord continued to perform well, with like-for-like sales for the first half up 9.3% on a Danish kroner basis (up 3.9% on a sterling basis).

Input cost inflation across the clothing sector has been well-publicised but we were able to offset some pressures on gross margins by our ongoing focus on the drivers of cash margin, in particular the own bought sales mix and markdown management. Stock density remains under control and we continue to expect terminal stocks at the end of the half to be at an all-time low. As a result of these actions, gross margin increased during the first half over the prior year in line with management expectations.

Higher margins and the benefits of a lower interest charge helped offset the negative impact of December weather and dual running costs associated with our investment in a new distribution centre. Therefore headline profit before tax for the first half is expected to be ahead of last year and in line with market consensus.

New product launches: Our commitment to ensuring Designers at Debenhams remains at the heart of our offer has resulted in a number of new product launches for spring summer 2011. Our new designer concept Edition launched in February with womenswear collections from Jonathan Saunders and Preen and an accessories collection from Jonathan Kelsey. Initial customer response has been extremely positive. Roksanda Ilincic will join the Edition portfolio later in the year. Diamond by Julien Macdonald is also new for spring summer. In menswear, J Jeans by Jasper Conran has been introduced as a casual addition to the existing Jasper Conran range. A new brand advertising campaign was launched in February which focuses on the Designers at Debenhams brand and includes TV, print, digital and social media adverts.

Multi-channel developments: Our strategy to create a truly integrated multi-channel business continues to move forward. Sales from Debenhams Direct increased by 82.4% (excluding VAT) during the first half of the year. Work in the first half focused on improving multi-channel access points with the launch of the iPhone app and Debenhams TV and rolling out self-service order kiosks to more stores as well as the launch of local currency online shopping in the Republic of Ireland through debenhams.ie. Our online offer has been strengthened further with many new additions.

¹ Like-for-like sales relate to stores which have been open for one year or more. Group like-for-like sales include Magasin du Nord from 7 November, the anniversary of acquisition.

Investing for future growth: We are continuing to invest in the business in order to improve the shopping experience for our customers. Five store refits were undertaken in the first half and are performing in line or ahead of expectations. Another 4-6 refits are scheduled to start in the second half for completion by the end of the summer. One new department store was opened during the half in Bath. A new department store in Wakefield and a new Desire store in Fareham will open during the second half. We are in advanced discussions on a number of additional store openings. Construction of the new distribution centre is progressing well and it will be fully operational by the end of this calendar year. Overall capex guidance for the year remains in the region of £120 million.

Balance sheet: Net debt at the end of the first half is expected to be in the region of £350 million, a reduction of £160 million against both the same point last year and the start of the current financial year. On a pro forma basis using last year's reported IFRS EBITDA, this would reduce leverage from 1.8 times a year ago to 1.2 times at the end of the first half.

Rob Templeman, Chief Executive of Debenhams, said:

“Our performance in the first half has been pleasing given the difficult trading environment. Our strategy of increasing own bought sales, as well as focusing on profit and cash generation, has again delivered margin gains despite the significant headwinds being experienced in the clothing sector supply chain.

“Looking forward, it is clear that disposable income is under pressure from inflation, public sector spending cuts and higher taxation. As a result, trading across the UK high street is likely to be difficult in the second half of the year. We will continue to pursue the self-help measures we have been working on over the past two years – driving market share and cash margin through own bought product ranges, increasing multi-channel access points, improving the instore environment through refits – which will be beneficial to the business whatever the trading environment.”

- Ends -

A conference call for analysts and investors will be held today at 9:00am. To join this call, please dial +44 (0) 20 3140 0820 or +1 718 705 7514. A recording will be available for seven days on +44 (0) 20 3140 0698 or +1 877 846 3918, PIN 376527#.

Debenhams plc's interim results for the six months to 26 February 2011 will be released at 7:00am on Thursday 14 April 2011.

Note: 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.

Enquiries

Investors and analysts

Debenhams plc

Rob Templeman, Chief Executive

Chris Woodhouse, Finance Director

Lisa Williams, Investor Relations

020 7408 3304, 07908 483841

Press

Financial Dynamics

Jonathon Brill

020 7269 7170

Caroline Stewart

020 7269 7227

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 and 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 a total of 167 stores in the UK, the Republic of Ireland and Denmark. Debenhams also has 61 international franchise stores in 24 countries and an online store, www.debenhams.com, through which much of the Debenhams range is available.

Designers at Debenhams include Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanđa 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.