DEBENHAMS

www.debenhams.com

19 April 2012

DEBENHAMS PLC
HALF YEAR RESULTS FOR 26 WEEKS TO 3 MARCH 2012
Higher sales and profits in a difficult market

Financial Highlights

- Group gross transaction value up 1.4%
- Group like-for-like sales up 1.4% including VAT, up 0.3% excluding VAT
- Group gross margin down 30 basis points, in line with guidance
- Profit before tax ahead of market expectations, up 1.4% at £127.1m
- Earnings per share up 4.2% to 7.4p
- Interim dividend of 1.0p per share
- Net debt reduced by £71.9m during half to £311.8m
- Long-term share buyback programme to commence with initial £20m over next 6 months

Operational Highlights

- Experienced management team in place under leadership of CEO Michael Sharp
- Investment in UK store estate: pipeline now at 14 stores up to 2017
- On target to complete 45 store modernisations in next 2 years
- Multi-channel business continues to grow strongly; online sales up 34.7%*
- Awarded Multi-Channel Retailer of the Year at Oracle Retail Week Awards 2012
- 3 new international franchise stores opened; pipeline now at 13 stores
- Solid performance by Magasin du Nord: like-for-like sales up 0.9%
- International online delivery expanded to 40 countries
- Ongoing cost, stock and capital discipline

*excluding Magasin

Michael Sharp, Chief Executive of Debenhams, said:

"We are pleased with our results for the first half, with profit before tax ahead of market expectations despite the challenges presented by the overall retail climate and unfavourable weather conditions in the autumn.

"At this stage we remain comfortable with the market's current outlook for the full year. However, we are mindful of the impact the wider economy may have on consumer behaviour in the second half of the year as well as the uncertain effects of the major one-off events taking place in the UK during the summer. Disruption from the store modernisation programme will also be at its highest during the second half.

"I set out the four pillars of our strategy to create a leading international, multi-channel brand in October last year. I am encouraged by the strong execution over the last six months and am confident of the long-term success of this strategy and the benefits it will bring to our business and our shareholders. We are also pleased to be announcing today the commencement of a long-term share buyback programme."

FINANCIAL SUMMARY

	H1 12	H1 11	% change
Group gross transaction value (incl. Magasin)	£1,483.6m	£1,463.0m	+1.4%
Gross transaction value (excl. Magasin)	£1,346.0m	£1,328.8m	+1.3%
Statutory revenue	£1,238.3m	£1,222.3m	+1.3%
Group like-for-like sales – incl. VAT			+1.4%
Group like-for-like sales – excl. VAT			+0.3%
Group gross margin[a] – incl. Magasin			-0.3%
Gross margin[a] – excl. Magasin			-0.5%
Group operating profit	£134.9m	£137.7m	-2.0%
Headline profit before tax [b]	£128.5m	£129.2m	-0.5%
Reported profit before tax	£127.1m	£125.3m	+1.4%
Earnings per share	7.4p	7.1p	+4.2%
Interim dividend per share	1.0p	1.0p	-
	03-03-12	26-02-11	
Net debt	£311.8m	£351.6m	£39.8m
Net debt : EBITDA[c]	1.1x	1.3x	

[a] Gross margin: gross transaction value less cost of goods sold, as a percentage of gross transaction value
[b] After adding back £1.4m of amortisation on capitalised bank fees (H1 11: £3.9m)
[c] Period end net debt divided by last 12 months' EBITDA

Enquiries

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A presentation for investors and analysts will be held today at 10:00am in King Edward Hall Auditorium at Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. A live webcast of this presentation will be available at www.debenhamsplc.com.

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

FIRST HALF FINANCIAL PERFORMANCE

Note: all comparisons relate to the 26 weeks to 3 March 2012 versus the 26 weeks to 26 February 2011 unless stated otherwise.

We are pleased with Debenhams' financial performance in the first half given the difficult economic environment and the impact of unseasonably warm weather in the autumn, which affected sales of key product categories such as outerwear.

Sales

Group gross transaction value for the period grew by 1.4% to £1,483.6 million. Excluding Magasin, gross transaction value was £1,346.0 million (H1 2011: £1,328.8 million). Statutory revenue increased by 1.3% to £1,238.3 million.

Group like-for-like sales increased by 1.4% including VAT and by 0.3% excluding VAT.

Magasin has continued to perform well. Like-for-like sales increased by 0.9% on a Danish kroner basis and by 1.7% on a sterling basis.

Market Share

Total fashion market share for the 12 weeks to 18 March 2012 was flat at 4.7%. Womenswear share fell by 10 basis points as we completed the work to replace closed concessions. Menswear grew by 20 basis points whilst childrenswear was flat. We continue to see market share growth in categories which have been especially targeted for share growth, such as footwear and health and beauty. Women's and men's footwear market share each increased by 60 basis points over the 12 week period. Health and beauty market share continues to grow strongly. For the 52 weeks to February 2012 our share of the premium health and beauty market increased by 110 basis points to 29.1%. (Sources: fashion Kantar Worldpanel Fashion 12 weeks market share to 18 March 2012 vs. 2011; health and beauty NPD 52 weeks to February 2012.)

Margins and Costs

Gross margin on a Group basis was 30 basis points lower than last year in the period, in line with guidance. This includes Magasin where gross margin increased by 140 basis points as a result of a higher own bought sales mix. Excluding Magasin, gross margin fell by 50 basis points, largely as a result of strong sales growth in the lower margin health and beauty category. For the full year, our gross margin guidance remains broadly flat.

The Group continues to manage costs tightly. Total costs (excluding interest and tax) increased by 1.7% in the first half. Full year expectations for the major cost categories remain in line with guidance provided at the start of the year.

The net interest charge decreased from £12.4 million in the first half of last year to £7.8 million this year due mainly to lower interest costs associated with the bank facilities which were refinanced in July 2011 and lower net debt.

Stock
Stock levels remain firmly under control. Terminal stock at the end of the half was in line with our long-term average at 2.7%. Total stock grew by 4.5%, largely due to new space and growth in online sales.

Profitability
Group EBITDA for the first half fell by 1.0% to £181.1 million. Group operating profit declined by 2.0% to £134.9 million.

Profit before tax was ahead of market consensus for the first half, up 1.4% at £127.1 million (H1 2011: £125.3 million). Headline profit before tax which adds back amortisation of capitalised bank fees of £1.4 million (H1 2011: £3.9 million) was £128.5 million (H1 2011: £129.2 million). Going forward, we will discontinue the use of headline profit before tax as it will continue to converge with the reported number.

Basic earnings per share increased by 4.2% to 7.4 pence compared with 7.1 pence for the first half of last year, benefitting from lower interest charges and a reduction in the tax rate.

Capital Expenditure
Further investment was made in the Group's business during the half resulting in capital investment of £47.7 million. Capital expenditure guidance for the year remains in the region of £120 million.

Capital Generation and Net Debt
The business generated a cash inflow from operating activities before financing and after capital expenditure of £131.6 million (H1 2011: £123.7 million excluding the impact of the lease transactions) in the first six months of the year. Net debt at the end of the period was £311.8 million. This was an improvement of £39.8 million over the position at the end of the first half last year (26 February 2011) and £71.9 million better than at the end of the last financial year (3 September 2011). Lower net debt resulted in an improvement in the gearing ratio (net debt to last 12 months' EBITDA) from 1.3 times at the end of the first half last year to 1.1 times this year.

Taxation
The Group's taxation charge of £31.6 million (H1 2011: £33.8 million) represents an effective tax rate of 24.9% (H1 2011: 27.0%).

Dividend
An interim dividend per share for 2012 of 1.0 pence (2011: 1.0 pence) will be paid on 6 July 2012 (see timetable below). The scrip dividend scheme, which was last offered in 2009, has been discontinued.

Share Buyback Programme
As stated at the full year results in October 2011, the board of Debenhams sees little benefit in sustaining leverage below 1.0 times EBITDA. The Group generates strong cash flows and has a robust balance sheet. We continue to invest in the business and in new growth opportunities; capital expenditure in the last financial year was £114 million and guidance for the current financial year remains at around £120 million as we invest in the four pillars of the strategy set out last year.

We believe that Debenhams will increasingly generate cash in excess of that required to fund our growth plans and to grow the dividend. Alongside our goal of moving towards 1.0x net debt/EBITDA, we are today announcing that we will commence a long-term share buyback programme.

Over the next six months, Debenhams intends to use up to £20 million to buy back shares. We will update the market on our intentions for the following twelve months at the full year results in October 2012.

STRATEGY UPDATE

A number of key management appointments were made during the half. Michael Sharp succeeded Rob Templeman as Chief Executive on 5 September 2011. Simon Herrick replaced Chris Woodhouse as Chief Financial Officer on 10 January 2012. Mike Goring took up the appointment of Retail Director on 12 January 2012.

We set out the four pillars of our strategy to create a leading international, multi-channel brand in October 2011. They are:

1. focusing on UK retail;
2. delivering a compelling customer proposition;
3. increasing availability and choice through multi-channel; and
4. expanding the brand internationally.

Focusing on UK retail

The UK store base will continue to be Debenhams' largest single sales channel for the foreseeable future. At the end of the first half the store portfolio in the UK and Republic of Ireland consisted of 164 stores occupying 11,606,000 sq ft of trading space. Of these 142 are full department stores and 22 are small format stores (25,000 sq ft or less).

One new store opened during the first half in Newbury (53,000 sq ft, opened October 2011). In total, we believe there are opportunities for up to 240 economically viable stores in the UK and Ireland. Five new stores have recently been contracted taking the new store pipeline to 14 including Dumfries, opening in May 2012, and Chesterfield, scheduled to open in September 2012. These 14 stores represent a total of 660,000 sq ft of space. We are in discussion on another 25 new store opportunities.

We have committed to modernising the 45 core stores in the UK and Ireland portfolio within the next two years (i.e. those which are neither new nor recently modernised). Six refits which had commenced during the previous financial year were completed in the first half of this year. Another nine are currently on site and will be completed by mid-June 2012 with a further nine commencing in May 2012. Results from the 14 modernisations completed over the past 18 months continue to be encouraging with an average sales increase post-modernisation of around 6% and return on capital in the region of 15%. We have managed the disruption caused by modernisations well but there will still inevitably be an impact on sales due to the large number of projects being undertaken. This will be particularly pronounced in the second half of this financial year as some 20 stores will be undergoing work at the same time.

Delivering a compelling customer proposition

Our focus is on the brand and product strategy, instore execution and communicating the proposition.

Own bought sales were broadly flat on last year during the first half at 81.9% (H1 2011: 82.1%) excluding Magasin. The strength of Debenhams model – which encompasses Designers at Debenhams, core brands and international brands complemented by concessions – was demonstrated in the first half by allowing customers to trade up and down the price architecture to meet their budgets. Core own brands performed well in the main clothing categories and overall were up 0.7% during the first half. Designers at Debenhams sales were undoubtedly impacted by the warm autumn weather which affected sales of outerwear in particular, a key product category for a department store. As a result, Designer sales fell by 2.6% versus last year to £285 million. Our medium-term target is to grow Designers at Debenhams to annual sales of £750 million.

Increasing availability and choice through multi-channel

Whilst online is just one of the multiple channels now available for our customers to shop Debenhams, online sales are a useful proxy for the growth of the multi-channel business as a whole. Online sales have continued to grow strongly, increasing by 34.7% to £124.3 million for the first half (excluding Magasin). On a two year basis, sales are up by nearly 150%. Our target is to grow online sales to £500 million over the medium-term. Online EBITDA increased by 36.4% as the initiatives we are taking to improve the profitability on this business, particularly in relation to fulfilment costs, began to take effect.

Key initiatives in the first half included the deployment of kiosks across the entire store base which increase availability in all stores and provide range extension in smaller stores. Sales generated by the kiosks were very encouraging over the important Christmas trading period. We continue to carry out trials to find the optimum number and grouping of kiosks in stores. Mobile is the fastest growing channel and 20% of online traffic is now generated by mobile devices. “Endless Aisle”, which aims to increase fulfilment rates by utilising the store base as well as fulfilment centres to meet customer demand, was introduced during the first half and is already proving successful. We estimate that some £10 million of potentially lost sales were captured during the period.

We were delighted to be awarded Multichannel Retailer of the Year at the Oracle Retail Week Awards in March 2012.

Expanding the brand internationally

International expansion will be achieved through three routes: international franchise stores; owned international assets; and international online delivery.

Gross transaction value for the international franchise stores increased by 23.5% to £44.1 million during the first half. Three new stores opening during the first half (two in the Philippines, one in Iran), taking the total at the end of the period to 67 stores in 25 countries. Three more are scheduled to open in the second half (two in India, one in Pakistan). Six stores are due to open next year and four in 2014. A further 50 opportunities are under discussion and it is our ambition to have 130 franchise stores by 2016/17.

Owned international assets comprise Magasin du Nord, the leading Danish department store group with six stores. Magasin's first half performance is discussed in the financial review section above.

Of the online sales target of £500 million, we anticipate some 20% will be generated by international online delivery. During the first half the number of countries we deliver to has increased from seven to 40. This will increase again to 67 by the end of the summer. The first local language, local currency website will be officially launched in Germany in May 2012 and this will be followed by a number of other sites over the coming months, facilitated by our investment in the latest IBM Websphere 7 platform.

OUTLOOK

At this stage we remain comfortable with the market's current outlook for the full year. However, we are mindful of the impact the wider economy may have on consumer behaviour in the second half of the year as well as the uncertain effects of the major one-off events taking place in the UK during the summer. Disruption from the store modernisation programme will also be at its highest during the second half.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties for the remainder of the year are unchanged from those detailed in the Group's Annual Report and Accounts for 2011 (see pages 32 to 37 of that document). The risks which are most relevant to the second half of the financial year are: a consistent fall in customer spending as a result of economic downturn, inflation or deflation; competitive pressures in existing markets influencing customer behaviour; and inability to predict or fulfil customer demands or preferences.

BOARD OF DIRECTORS

Simon Herrick joined the board of directors on 1 November 2011 and was appointed Chief Financial Officer on 10 January 2012. Chris Woodhouse resigned from the board on 10 January 2012.

The board of directors as at 19 April 2012 is as follows: Nigel Northridge (chairman), Michael Sharp (chief executive), Simon Herrick (chief financial officer), Adam Crozier (non-executive director), Martina King (non-executive director), Dennis Millard (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.

DIVIDEND TIMETABLE

The following timetable applies to the interim dividend of 1.0 pence per share which the board has today resolved to pay.

Ex-dividend date	6 June 2012
Record date	8 June 2012
Dividend payment date	6 July 2012

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 170 stores in the UK, the Republic of Ireland and Denmark as well as 67 international franchise stores in 25 countries. Debenhams products are also available online at www.debenhams.com and www.debenhams.ie and through iPhone, iPad, Android and Nokia apps.

Designers at Debenhams include Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanda Ilincic, Betty Jackson, Jonathan Kelsey, Carol Lake, Ben de Lisi, Julien Macdonald, Melissa Odabash, Jane Packer, Jenny Packham, Pearce Fionda, Preen, Janet Reger, John Rocha, Jonathan Saunders, Lisa Stickley, Yukari Sweeney, Ashley Thomas, Eric Van Peterson and Matthew Williamson.

Debenhams was awarded “Multichannel Retailer of the Year” at the Oracle Retail Week Awards in March 2012.

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.

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 3 March 2012, 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 3 March 2012 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
19 April 2012
London

Consolidated Income Statement
For the 26 weeks ended 3 March 2012

	Note	**Unaudited 26 weeks to 3 March 2012 £m**	Unaudited 26 weeks to 26 February 2011 £m	Audited 53 weeks to 3 September 2011 £m
Revenue	2,3	**1,238.3**	1,222.3	2,209.8
Cost of sales		**(1,038.9)**	(1,027.1)	(1,913.1)
Gross profit		**199.4**	195.2	296.7
Distribution costs		**(42.3)**	(37.6)	(70.2)
Administrative expenses		**(22.2)**	(19.9)	(42.8)
Operating profit	3	**134.9**	137.7	183.7
Finance income	4	**0.6**	3.7	3.9
Finance costs	5	**(8.4)**	(16.1)	(27.3)
Profit before taxation		**127.1**	125.3	160.3
Taxation	6	**(31.6)**	(33.8)	(43.1)
Profit for the financial period attributable to equity shareholders		**95.5**	91.5	117.2

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

		Pence per share	Pence per share	Pence per share
Basic	7	**7.4**	7.1	9.1
Diluted	7	**7.4**	7.1	9.1

The notes on pages 16 to 22 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Comprehensive Income

For the 26 weeks ended 3 March 2012

	Note	**Unaudited 26 weeks to 3 March 2012 £m**	Unaudited 26 weeks to 26 February 2011 £m	Audited 53 weeks to 3 September 2011 £m
Profit for the financial period		**95.5**	91.5	117.2
Other comprehensive (expense)/income				
Actuarial (losses)/gains recognised in the pension schemes	10	**(13.0)**	62.0	75.8
Deferred tax movement on actuarial losses/(gains)		**0.8**	(17.9)	(22.5)
Current tax movement on the pension schemes		**1.1**	-	2.1
Sale of available-for-sale investment		-	-	(2.0)
Change in the value of available-for-sale investments		**(0.3)**	0.1	(0.2)
Currency translation differences		**(3.8)**	2.6	4.3
Cash flow hedges				
- net fair value gains/(losses)		**8.4**	(5.6)	(15.7)
- tax on net fair value gains/(losses)		**(2.1)**	1.5	3.9
- reclassified and reported in net profit		**-**	-	4.7
- tax on items reclassified and reported in net profit		**-**	-	(1.2)
- recycled and adjusted against the cost of sales		**0.4**	(2.4)	1.8
- tax on items recycled against the cost of sales		**(0.1)**	0.6	(0.5)
Total other comprehensive (expense)/income		**(8.6)**	40.9	50.5
Total comprehensive income for the period		**86.9**	132.4	167.7

The notes on pages 16 to 22 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet
At 3 March 2012

	Note	Unaudited 3 March 2012 £m	Unaudited 26 February 2011 £m	Audited 3 September 2011 £m
ASSETS				
Non-current assets				
Intangible assets	9	**861.7**	847.1	858.1
Property, plant and equipment	9	**629.4**	618.4	634.6
Available-for-sale investments		**2.2**	7.7	2.6
Derivative financial instruments		**0.7**	1.1	1.4
Other receivables		**17.3**	17.8	18.3
Retirement benefit assets	10	**4.1**	-	3.9
Deferred tax assets		**78.5**	77.7	75.7
		1,593.9	1,569.8	1,594.6
Current assets				
Inventories		**340.2**	325.6	321.3
Trade and other receivables		**71.9**	71.7	72.1
Derivative financial instruments		**6.8**	1.2	1.2
Cash and cash equivalents	13	**38.8**	35.4	29.0
		457.7	433.9	423.6
LIABILITIES				
Current liabilities				
Bank overdraft and borrowings	13	**(107.1)**	(143.7)	(168.1)
Derivative financial instruments		**(0.9)**	(10.0)	(8.5)
Trade and other payables		**(515.7)**	(496.1)	(489.1)
Current tax liabilities		**(50.5)**	(51.3)	(43.7)
Provisions		**(6.3)**	(6.6)	(6.2)
		(680.5)	(707.7)	(715.6)
Net current liabilities		**(222.8)**	(273.8)	(292.0)
Non-current liabilities				
Bank overdraft and borrowings	13	**(243.5)**	(243.3)	(244.6)
Derivative financial instruments		**(5.2)**	(1.2)	(4.2)
Deferred tax liabilities		**(75.4)**	(81.1)	(74.1)
Other non-current liabilities		**(321.3)**	(318.0)	(318.9)
Provisions		**(1.2)**	(1.4)	(1.2)
Retirement benefit obligations	10	**(3.0)**	(14.6)	-
		(649.6)	(659.6)	(643.0)
NET ASSETS		**721.5**	636.4	659.6
SHAREHOLDERS' EQUITY				
Share capital	11	**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		**0.4**	(5.1)	(6.2)
Other reserves		**(7.2)**	(2.5)	(3.1)
Retained earnings		**44.3**	(40.0)	(15.1)
TOTAL EQUITY		**721.5**	636.4	659.6

The notes on pages 16 to 22 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Changes in Equity

At 3 March 2012

	Share capital and share premium £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total £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 period	-	-	-	-	-	95.5	95.5
Actuarial loss on pension schemes	-	-	-	-	-	(13.0)	(13.0)
Deferred tax movement on pension schemes	-	-	-	-	-	0.8	0.8
Current tax movement 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 £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 28 August 2010	**683.0**	**1,200.9**	**(1,199.9)**	**0.8**	**(5.2)**	**(176.2)**	**503.4**
Profit for the financial period	-	-	-	-	-	91.5	91.5
Actuarial gain on pension schemes	-	-	-	-	-	62.0	62.0
Deferred tax movement on pension schemes	-	-	-	-	-	(17.9)	(17.9)
Change in the value of available-for-sale investments	-	-	-	-	0.1	-	0.1
Currency translation differences	-	-	-	-	2.6	-	2.6
Cash flow hedges							
- net fair value losses (net of tax)	-	-	-	(4.1)	-	-	(4.1)
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(1.8)	-	-	(1.8)
Total comprehensive income and expense for the financial period	**-**	**-**	**-**	**(5.9)**	**2.7**	**135.6**	**132.4**
Share based payment charge	-	-	-	-	-	0.6	0.6
Total transactions with owners	-	-	-	-	-	0.6	0.6
Balance at 26 February 2011	**683.0**	**1,200.9**	**(1,199.9)**	**(5.1)**	**(2.5)**	**(40.0)**	**636.4**

	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 28 August 2010	683.0	1,200.9	(1,199.9)	0.8	(5.2)	(176.2)	503.4
Profit for the financial year	-	-	-	-	-	117.2	117.2
Actuarial gain on pension schemes	-	-	-	-	-	75.8	75.8
Deferred tax movement on pension schemes	-	-	-	-	-	(22.5)	(22.5)
Current tax movement on pension schemes	-	-	-	-	-	2.1	2.1
Sale of available-for-sale investment	-	-	-	-	(2.0)	-	(2.0)
Change in the value of available-for-sale investments	-	-	-	-	(0.2)	-	(0.2)
Currency translation differences	-	-	-	-	4.3	-	4.3
Cash flow hedges							
- net fair value losses (net of tax)	-	-	-	(11.8)	-	-	(11.8)
- reclassified and reported in net profit (net of tax)	-	-	-	3.5	-	-	3.5
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	1.3	-	-	1.3
Total comprehensive income and expense for the financial year	**-**	**-**	**-**	**(7.0)**	**2.1**	**172.6**	**167.7**
Share based payment charge	-	-	-	-	-	1.4	1.4
Dividends paid in period	-	-	-	-	-	(12.9)	(12.9)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(11.5)**	**(11.5)**
Balance at 3 September 2011	**683.0**	**1,200.9**	**(1,199.9)**	**(6.2)**	**(3.1)**	**(15.1)**	**659.6**

The notes on pages 16 to 22 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement

For the 26 weeks ended 3 March 2012

	Note	**Unaudited 3 March 2012 £m**	Unaudited 26 February 2011 £m	Audited 3 September 2011 £m
Cash flows from operating activities				
Cash generated from operations	12	**179.3**	187.3	267.6
Finance income		**0.2**	6.5	6.7
Finance costs		**(6.9)**	(13.4)	(26.3)
Tax paid		**(26.3)**	(24.1)	(48.6)
Net cash generated from operating activities		**146.3**	156.3	199.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(39.1)**	(41.0)	(94.3)
Purchase of intangible assets		**(8.6)**	(4.6)	(19.7)
Proceeds from sale of available-for-sale investment		**-**	-	5.0
Proceeds from sale of finance leases	9	**-**	12.6	12.6
Net cash used in investing activities		**(47.7)**	(33.0)	(96.4)
Cash flows from financing activities				
Repayment of term loan facility		**-**	(548.6)	(548.6)
(Repayment)/draw down of facility		**(60.0)**	385.0	415.0
Dividends paid		**(25.7)**	-	(12.9)
Finance lease payments		**-**	(1.1)	(0.1)
Debt issue costs		**-**	(0.8)	(4.1)
Net cash used in financing activities		**(85.7)**	(165.5)	(150.7)
Net increase/(decrease) in cash and cash equivalents	13	**12.9**	(42.2)	(47.7)
Net cash and cash equivalents at beginning of financial period		**22.8**	69.5	69.5
Foreign exchange (losses)/gains on cash and cash equivalents		**(0.1)**	0.8	1.0
Net cash and cash equivalents at end of financial period	13	**35.6**	28.1	22.8

The notes on pages 16 to 22 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 UK Financial Services Authority, International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The accounting policies applied are consistent with those described in the Annual Report and Financial Statements 2011 except as described below. The Interim Report has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with the Annual Report and Financial Statements 2011.

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 53 weeks ended 3 September 2011 have been extracted from the Group's 2011 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 53 weeks have been filed with the Registrar of Companies.

The following new standards and interpretations are mandatory for the first time for the 52 weeks beginning 4 September 2011:

- Annual improvements 2010
- IFRIC 14 amendment - Prepayments on a minimum funding requirement
- IAS 24 amendment - Related party disclosures
- IFRS 1 amendment - 'First time adoption' on hyperinflation and fixed dates
- IFRS 7 amendment - Financial instruments: Disclosures on derecognition

The following new standards and interpretations have been issued but are not effective for the 52 weeks beginning 4 September 2011 and have not been adopted early:

	International Accounting Standards (IFRS)	**Effective date**
IAS 1 amendment	'Presentation of financial statements' on other comprehensive income (OCI)	1 July 2012
IAS 12 amendment	'Income taxes' on deferred tax	1 Jan 2012
IAS 19 (revised 2011)	Employee benefits	1 Jan 2013
IAS 27 (revised 2011)	Separate financial statements	1 Jan 2013
IAS 28 (revised 2011)	Associates and joint ventures	1 Jan 2013
IFRS 9	Financial instruments	1 Jan 2013
IFRS 10	Consolidated financial statements	1 Jan 2013
IFRS 11	Joint arrangements	1 Jan 2013
IFRS 12	Disclosure of interests in other entities	1 Jan 2013
IFRS 13	Fair value measurement	1 Jan 2013

The Group is currently considering the implications of the adoption of these standards and interpretations. The adoption of IAS 19 (revised) will have an impact on the treatment of past service costs and the calculation of expected returns on assets. The remaining standards are not expected to have a material impact on the Group's Financial Statements.

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 3 March 2012 £m	26 weeks to 26 February 2011 £m	53 weeks to 3 September 2011 £m
Gross transaction value	**1,483.6**	1,463.0	2,679.3

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 management board, which includes the executive directors and other key management. It is the executive management board that has responsibility for planning and controlling the activities of the Group.

The Group's reportable segment has been identified as Retail. The operating segment Magasin is not a reportable segment as it does not exceed 10 per cent of Group revenues, profits or gross assets; however, this information has been presented voluntarily within the segmental analysis below, as it is regularly provided to the CODM. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. No analysis has been provided of the assets and liabilities of each operating segment as this information is not regularly provided to the CODM within the monthly operating pack.

Segmental analysis of results	**Retail £m**	**Magasin £m**	**Total £m**
26 weeks ended 3 March 2012			
Gross transaction value	**1,346.0**	**137.6**	**1,483.6**
Concessions, consignments, staff discounts and loyalty schemes	**(186.5)**	**(58.8)**	**(245.3)**
External revenue	**1,159.5**	**78.8**	**1,238.3**
Operating profit	**126.0**	**8.9**	**134.9**
26 weeks ended 26 February 2011			
Gross transaction value	1,328.8	134.2	1,463.0
Concessions, consignments, staff discounts and loyalty schemes	(180.5)	(60.2)	(240.7)
External revenue	1,148.3	74.0	1,222.3
Operating profit	128.4	9.3	137.7
53 weeks ended 3 September 2011			
Gross transaction value	2,432.6	246.7	2,679.3
Concessions, consignments, staff discounts and loyalty schemes	(359.7)	(109.8)	(469.5)
External revenue	2,072.9	136.9	2,209.8
Operating profit	175.2	8.5	183.7

4 Finance income

	26 weeks to 3 March 2012 £m	26 weeks to 26 February 2011 £m	53 weeks to 3 September 2011 £m
Interest on bank deposits	**0.1**	0.4	0.6
Other financing income	**0.5**	3.3	3.3
	0.6	3.7	3.9

5 Finance costs

	26 weeks to 3 March 2012 £m	26 weeks to 26 February 2011 £m	53 weeks to 3 September 2011 £m
Bank loans and overdrafts	**5.9**	11.6	16.2
Cash flow hedge reclassified and reported in net profit	**1.1**	-	4.7
Amortisation of issue costs on loans	**1.4**	3.9	5.8
Other financing charges	**-**	0.6	0.6
	8.4	16.1	27.3

6 Taxation

The taxation charge for the 26 weeks ended 3 March 2012 is based on an estimated effective tax rate for the full year of 24.9% (53 weeks ended 3 September 2011: 26.9%). This is lower than the standard rate of corporation tax (25.6% blended rate) mainly due to the utilisation of overseas losses brought forward from prior periods.

The proposed reduction of the main rate of corporation tax announced in the recent 2012 budget if applied to the deferred taxation balances at 3 March 2012 would not have a significant effect on these statements.

7 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.

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		**26 weeks to 3 March 2012**		26 weeks to 26 February 2011		53 weeks to 3 September 2011
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	£m	**£m**	£m	£m	£m	£m
Profit for the financial period after taxation	**95.5**	**95.5**	91.5	91.5	117.2	117.2
	Number m	**Number m**	Number m	Number m	Number m	Number m
Weighted average number of shares	**1,286.8**	**1,286.8**	1,286.8	1,286.8	1,286.8	1,286.8
Shares held by ESOP (weighted)	**(0.6)**	**(0.6)**	(0.4)	(0.4)	(0.3)	(0.3)
Shares issuable (weighted)	**-**	**1.0**	-	0.5	-	0.6
	1,286.2	**1,287.2**	1,286.4	1,286.9	1,286.5	1,287.1
	Pence per share	**Pence per share**	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	**7.4**	**7.4**	7.1	7.1	9.1	9.1

8 Dividends

The Company paid a final dividend in respect of the 53 weeks ended 3 September 2011 of 2.0 pence per share on 13 January 2012. The directors have resolved to pay an interim dividend in respect of the 26 weeks ended 3 March 2012 of 1.0 pence per share (26 February 2011: 1.0 pence) which will absorb an estimated £12.9 million of shareholders' funds (26 February 2011: £12.9 million). It will be paid on 6 July 2012 to shareholders who are on the register of members at close of business on 6 June 2012.

9 Tangible and intangible assets and commitments

	Tangible and intangible assets		
	3 March 2012 £m	26 February 2011 £m	3 September 2011 £m
Opening net book amount	**1,492.7**	1,522.3	1,522.3
Additions	**47.4**	41.6	114.1
Foreign currency revaluation	**(2.8)**	2.2	3.8
Disposals	**-**	(55.4)	(55.5)
Depreciation and amortisation	**(46.2)**	(45.2)	(92.0)
Closing net book amount	**1,491.1**	1,465.5	1,492.7

Capital commitments contracted but not provided for by the Group amounted to £29.9 million (3 September 2011: £5.3 million; 26 February 2011: £19.3 million). During the financial year ended 3 September 2011 the Group disposed of the long leases on nine stores and entered into sale and leaseback agreements on these stores. The net book amount disposed of was £55.3 million. Net cash proceeds after extinguishing the finance lease obligation of £42.7 million were £36.6 million.

10 Defined benefit pension plans

The Group operates defined benefit type pension schemes, being the Debenhams Executive Pension Plan and the Debenhams Retirement Scheme (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 or a defined contribution scheme for the employees in the Republic of Ireland and Denmark.

Actuarial valuations of the Group's pension schemes using the projected unit basis were carried out at 31 March 2008 and are updated as at each relevant period-end for the purposes of IAS 19 'Employee benefits' by Towers Watson Limited, a qualified independent actuary. The 31 March 2008 actuarial valuation has been used when calculating the IAS 19 'Employee benefits' valuation at 3 March 2012, 3 September 2011 and 26 February 2011.An actuarial valuation as at 31 March 2011 is being performed by Towers Watson Limited and the results of this exercise will be incorporated in the year end position.

The major assumptions used by the actuary are given below. The mortality assumptions remain consistent with those disclosed in the Group's 2011 Annual Report and Financial Statements.

	3 March 2012 per annum %	26 February 2011 per annum %	3 September 2011 per annum %
Inflation assumption	**3.10**	3.60	3.30
General salary and wage increase	**3.10**	3.60	3.30
Rate of increase in pension payments and deferred payments	**3.10**	3.60	3.30
Pension increase rate	**3.00**	3.50	3.20
Discount rate	**5.00**	5.65	5.75

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

	3 March 2012 £m	26 February 2011 £m	3 September 2011 £m
Fair value of scheme assets	**609.6**	562.4	551.5
Defined benefit obligation	**(608.5)**	(577.0)	(547.6)
Net pension surplus/(deficit)	**1.1**	(14.6)	3.9
Surplus/(deficit) at the start of the period	**3.9**	(80.7)	(80.7)
Company contributions	**4.4**	3.7	7.9
Pension credit	**5.8**	0.4	0.9
Net actuarial (losses)/gains	**(13.0)**	62.0	75.8
Surplus/(deficit) at the end of the period	**1.1**	(14.6)	3.9

11 Share capital

	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each		
At 3 March 2012, 3 September 2011 and 26 February 2011	**128,680**	**1,286,806,299**

12 Cash generated from operations

	26 weeks to 3 March 2012 £m	26 weeks to 26 February 2011 £m	53 weeks to 3 September 2011 £m
Profit for the financial period	**95.5**	91.5	117.2
Taxation	**31.6**	33.8	43.1
Depreciation and amortisation (note 9)	**46.2**	45.2	92.0
Loss on disposal of property, plant and equipment	**-**	0.1	0.1
Profit on disposal of available-for-sale investment	**-**	-	(2.0)
Employee options granted during the year	**0.7**	0.6	1.4
Fair value (gains)/losses on derivative instruments	**(2.8)**	1.2	2.7
Net movements in provisions	**0.1**	1.6	1.0
Finance income (note 4)	**(0.6)**	(3.7)	(3.9)
Finance costs (note 5)	**8.4**	16.1	27.3
Difference between pension charge and contributions paid	**(10.2)**	(4.1)	(8.8)
Net movement in other long-term debtors	**0.2**	(0.1)	0.1
Net movement in other non-current liabilities	**2.4**	32.3	33.2
Changes in working capital			
Increase in inventories	**(19.2)**	(29.8)	(25.4)
Increase in trade and other receivables	**(0.2)**	(2.7)	(4.6)
Decrease/(increase) in trade and other payables	**27.2**	5.3	(5.8)
Cash generated from operations	**179.3**	187.3	267.6

13 Analysis of changes in net debt

	At 3 September 2011 £m	Cash flow £m	Non cash movements £m	**At 3 March 2012 £m**
Analysis of net debt				
Cash and cash equivalents	29.0	9.9	(0.1)	**38.8**
Bank overdrafts	(6.2)	3.0	-	**(3.2)**
Cash and cash equivalents	22.8	12.9	(0.1)	**35.6**
Debt due within one year	(160.6)	60.0	(1.6)	**(102.2)**
Debt due after one year	(243.2)	-	0.2	**(243.0)**
Finance lease obligations due within one year	(1.3)	-	(0.4)	**(1.7)**
Finance lease obligations due after one year	(1.4)	-	0.9	**(0.5)**
	(383.7)	72.9	(1.0)	**(311.8)**

14 Related parties

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

15 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.

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 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 7 of this interim report.

By order of the board

Paul Eardley
Company Secretary
19 April 2012