DEBENHAMS

www.debenhams.com

14 April 2011

DEBENHAMS PLC
HALF YEAR RESULTS FOR 26 WEEKS TO 26 FEBRUARY 2011

Financial Highlights

- Group gross transaction value up 3.2%
- Group like-for-like sales flat including VAT (down 1.5% excluding VAT)
- Group gross margin up 20 basis points
    - Debenhams (excluding Magasin) gross margin up 30 basis points
    - Magasin du Nord gross margin up 240 basis points*
- Headline profit before tax and exceptionals** in line with market expectations, up 4.5% to £129.2m
- Earnings per share up 14.5% from 6.2p to 7.1p
- Recommencement of dividends with interim dividend of 1.0p per share
- Net debt reduced by £165.2 million during half to £351.6m
- Strong de-leveraging since the year end; net debt to EBITDA*** improved from 1.8x to 1.3x

* Magasin du Nord: H1 11 26 weeks vs. H1 10 16 weeks
** After adding back amortisation on capitalised bank fees of £3.9m (H1 10: £3.1m) and exceptional items of £nil (H1 10: £6.0m)
*** EBITDA on last 12 months' basis

Operating Highlights

- Good sales performance from own bought ranges
- Market share gains in key categories including women's casualwear and childrenswear*
- Designers at Debenhams portfolio extended through new launches including Edition, Diamond by Julien Macdonald and men's J Jeans by Jasper Conran
- Solid performance by Magasin du Nord with like-for-like sales up 9.3% (constant currency)
- Debenhams Direct sales up by 82.4%
- Continued investment in the business: new store opened in Bath, 5 store refits completed, construction of a new distribution centre underway
- Brand marketing campaign launched, focusing on Designers at Debenhams

* Source: Kantar Worldpanel Fashion, 24 weeks to 20 February 2011 vs. 2010

Rob Templeman, Chief Executive of Debenhams, said:

"We are pleased with the performance of the business in the first half. The trading environment has been difficult but our focus on profit and cash generation has continued to deliver returns. Debenhams has now produced six consecutive halves of pre-tax profit growth in what has been a consistently challenging retail climate.

"Looking forward, there are some encouraging signs that commodity prices such as cotton may fall which could be positive for both consumers and retailers in terms of pricing. In the short-term, whilst we will continue to benefit from the contribution of Magasin and lower interest rates, we are planning for no real change in consumer confidence. We will continue to ensure that our focus on offering our customers outstanding choice, quality and value remains at the forefront of our decision making.

"We continue to believe that our investments in infrastructure, the building of a seamless multi-channel business and the continuing improvements to the store experience through our refurbishment programme will serve us well, particularly when the retail environment begins to improve."

FINANCIAL SUMMARY

	H1 11	H1 10	% change
Group gross transaction value (incl. Magasin)	£1,463.0m	£1,417.2m	+3.2%
Gross transaction value (excl. Magasin)	£1,328.8m	£1,329.0m	-
Statutory revenue	£1,222.3m	£1,187.8m	+2.9%
Group like-for-like sales – incl. VAT			Flat
Group like-for-like sales – excl. VAT			-1.5%
Group gross margin[a] – incl. Magasin			+20bps
Gross margin[a] – excl. Magasin			+30bps
Operating profit before exceptionals	£137.7m	£146.6m	-6.1%
Headline profit before tax and exceptionals[b]	£129.2m	£123.6m	+4.5%
Reported profit before tax and exceptionals	£125.3m	£120.5m	+4.0%
Earnings per share	7.1p	6.2p	+0.9p
Interim dividend per share	1.0p	0p	+1.0p
	26-02-11	27-02-10	
Net debt	£351.6m	£511.5m	£159.9m
Net debt : EBITDA (last 12 months)	1.3x	1.8x	0.5x

[a] Gross margin: gross transaction value less cost of goods sold, as a percentage of gross transaction value

[b] After adding back £3.9m of amortisation on capitalised bank fees (H1 10: £3.1m) and exceptional items of £nil (H1 10: £6.0m)

Enquiries

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A presentation for investors and analysts will be held today at 8:30am in the Ground Floor Auditorium at Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. A webcast of this presentation will be available at www.debenhamsplc.com from noon today.

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

FIRST HALF FINANCIAL PERFORMANCE

Debenhams recorded a creditable financial performance in the first half despite the difficult market conditions, the impact of bad weather in the important Christmas trading period and £5 million of dual running costs associated with the investment in a new distribution centre.

Group gross transaction value for the period grew by 3.2% to £1,463.0 million. Excluding Magasin, gross transaction value was flat at £1,328.8 million.

Group like-for-like sales were flat in the first half on a VAT inclusive basis and declined by 1.5% excluding VAT. The impact of severe winter weather during the December peak trading period is estimated to be a drag of 2% on like-for-like sales for the half.

Gross margin on a Group basis was 20 basis points higher than last year in the period. This includes Magasin which has a lower gross margin due to its higher mix of concession sales. Excluding Magasin, gross margin increased by 30 basis points in the half versus last year. Although Magasin's gross margin increased by 240 basis points in the half, its contribution to Group gross margin in this period is impacted by the comparison of 26 weeks this year versus 16 weeks last year due to the timing of the acquisition. Gross margin gains were driven by stronger own bought sales versus concessions and tight markdown management, offset by well-documented input price inflation.

Magasin has continued to perform well. Like-for-like sales increased by 9.3% on a Danish kroner basis and by 3.9% on a sterling basis. The programme to introduce selected Debenhams' own bought ranges into the Danish stores has continued and this has contributed to the 240 basis points increase in gross margin for Magasin compared with the first half of last year.

The Group continues to manage operating costs extremely tightly. Total operating expenses increased by around 4% in the first half, in line with the increase in gross transaction value plus the £5 million of dual running costs. The interest charge decreased significantly from £26.1 million in the first half of last year to £12.4 million this year due mainly to lower interest rates associated with the new bank facilities, reduced net debt and the restructuring of the Lloyds finance leases.

Headline profit before tax and exceptionals for the first half, which adds back amortisation on capitalised debt fees of £3.9 million (H1 2010 £3.1 million), was £129.2 million, compared with £123.6 million last year, an increase of 4.5% and in line with market consensus. As noted above, profitability was impacted in the first half by approximately £5 million related to the dual running costs associated with the new distribution centre at Sherburn. Reported profit before tax and exceptional items was 4.0% higher than a year ago at £125.3 million.

Basic earnings per share increased by 14.5% to 7.1 pence compared with 6.2 pence for the first half of last year, benefitting from lower interest charges and a reduction in the tax rate.

Further investment was made in the Group's business during the half resulting in capital investment of £45.6 million. Capital expenditure guidance for the year remains in the region of £120 million with the bulk of the investment in the new Sherburn DC being made in the second half as well as a further six store refits.

The business was strongly cash generative in the half with cash inflow from operating activities before financing and after capital expenditure of £154.3 million (H1 2010: £154.5 million). Net debt at the end of the half was £351.6 million. This was an improvement of £159.9 million over the position at the end of the first half last year (27 February 2010) and £165.2 million better than at the end of the last financial year (29 August 2010). Lower net debt resulted in a significant improvement in the gearing ratio (net debt to last 12 months' EBITDA) during the half from 1.8 times to 1.3 times.

The board today announced its intention to reinstate dividend payments with immediate effect. The initial target dividend cover is three times earnings. This will result in an interim dividend per share for 2011 of 1.0 pence (2010: nil) to be paid on 8 July 2011 (see timetable below). The scrip alternative is not being offered with this dividend.

STRATEGY UPDATE AND OPERATING REVIEW

Debenhams has continued to deliver on the strategy set out two years ago to focus on measures to expand margins and gain market share whilst continuing to invest in the future development of the business. This involves four key areas: multi-channel development, product strategy, space strategy and balance sheet management.

Multi-channel development

Building a seamless, customer-centric multi-channel business is a key priority for Debenhams.

Debenhams Direct delivered another strong performance during the first half with sales increasing by 82.4% to £92.3 million. Customers are increasingly taking advantage of multi-channel access points such as instore ordering and collect from store, both of which grew significantly during the half.

New multi-channel access points introduced during the first half include an app for iPhones, online video through Debenhams TV and the ongoing roll-out of self-service order kiosks. A euro denominated website, debenhams.ie, was launched in time for the peak trading period in the Republic of Ireland. Multi-channel marketing has also increased with the new additions of SMS and mobile coupons.

Since the end of the half, mobile access has been expanded with further apps for Android and Nokia smartphones. A Beauty Club app, which ties in with the successful health and beauty loyalty scheme, will launch in the third quarter. International delivery is also being expanded from the existing seven countries to 40 countries by the end of this calendar year. Other developments include the trialling of an instore "online shop" during the second half and further expansion in product categories which will provide Debenhams' customers with real choice but with limited stock risk for the Group.

Product strategy

Debenhams' product strategy is centred on its multi-category, multi-brand offer which gives customers a unique selection of private label brands, Designers at Debenhams brands, international brands and concessions. Focus is very much on the development of higher margin private label and Designer brands which provide a key differentiator from competitors.

Further progress has been made in market share during the half. Encouragingly, the most recently available market share data (Kantar Worldpanel Fashion, 24 weeks to 20 February 2011 vs. 2010) has shown growth in some of the areas which have been identified as strong market share opportunities suggesting this strategy is showing early signs of success. This includes women's casualwear (up 50 basis points) and childrenswear (up 20 basis points). Total fashion market share was maintained during the half with menswear and total womenswear both stable. Debenhams' share of the premium health and beauty market has also increased strongly, up from 26.8% to 28.1% (source: NPD Health and Beauty report 52 weeks to 26 February 2011).

Own bought sales (comprising private label, Designers at Debenhams and international brands) continued to outperform concessions during the half. Overall, own bought sales accounted for 82.1% of total sales, up from 81.4% in the first half of the previous year (excluding Magasin). The target own bought sales participation remains 85%. Designers at Debenhams brands delivered the strongest performance with sales up 5.7% on last year.

A number of new brands were introduced during the half. These include Edition, an exciting new concept within Designers at Debenhams featuring some of the fashion industry's leading young designers, in the first instance Jonathan Saunders, Preen and Jonathan Kelsey. Also new in womenswear is Diamond by Julien Macdonald which brings Julien's unique designs to a younger customer. In menswear, J Jeans is a new addition to Jasper Conran's collection.

The clothing sector has experienced significant input price inflation during the past six months, driven by a sharp rise in the cost of cotton and other materials. This has resulted in a need for Debenhams to increase selling prices for the spring summer season in addition to the increase in UK VAT which rose from 17.5% to 20.0% from January 2011. Like-for-like selling prices have increased by around 8% although the introduction of new entry price points in some key ranges, such as women's casualwear, alongside careful management of the range architecture have reduced the overall impact of higher prices. Management estimates that the pricing elasticity associated with this level of price increase is 1:0.5 (meaning a 1% change in price would result in a 0.5% change in volume in the opposite direction). The supply chain continues to be managed extremely closely to ensure that there is sufficient flexibility should this estimate need to be adjusted.

Stock levels are firmly under control. Whilst headline stock levels increased by 13.6%, principally driven by earlier intake to ensure continuity of supply over Chinese New Year, expansion of Debenhams Direct and cost price increases, underlying stock density declined by 2.4% during the first half. Terminal stock at the end of the period was at a record low of 2.5%.

A new brand marketing campaign was launched for the spring summer season. The TV, press, digital and social media campaign, which is also reflected in store windows, capitalises on Designers at Debenhams, our key differentiator. Other marketing activities include sponsorship of TV programme "Neighbours".

Space strategy

Although there are indications of a tentative recovery in the retail property market, the new store contracted pipeline continues to be limited. A new 83,000 square feet department store was opened in Bath during the first half. In the second half, new stores will open in Wakefield and Fareham, together adding 84,000 square feet of trading space. Discussions are underway relating to more than 30 new store opportunities.

Improving the experience of customers in all Debenhams stores is continuing through the store refit programme. Five stores were refitted during the first half and another six will commence during the second half. The priority is older stores in large city centres and locations where Debenhams is the only department store in the market. The refits are generating good sales and margin uplifts and a strong return on capital performance. A further 20 stores are planned to be refitted during the 2012 financial year.

As well as the store estate, investment is being made in new logistics capacity which will provide the ability to handle the expected multi-channel expansion as well as proving cost efficiencies over the longer-term. Operations at the new 667,000 square feet Sherburn distribution centre will commence by the end of the 2011 calendar year. The impact of the dual running costs associated with this project on operating profit are in the region of £10 million in each of financial years 2011 and 2012 and £5 million in financial year 2013. The impact in the first half is estimated to be some £5 million.

Sales for Debenhams' international franchise store division increased by 8.5% to £35.7 million. One store was opened during the first half in Armenia taking the total at the end of the period to 61 stores in 24 countries. A further store has opened in Hungary since the end of the half.

Balance sheet management

Net debt has continued to reduce, ending the half at £351.6 million, a reduction of £165.2 million since the start of the current financial year and £159.9 million lower than at the same point last year. The leverage ratio has fallen to 1.3 times from 1.8 times at the start of the first half.

On 30 November 2010, the Group repaid £150 million of debt cancelling its existing £806 million bank facility and drawing the £650 million forward start facility negotiated in July 2010. The new facility includes a £400 million revolving credit facility that enhances the Group's ability to manage working capital efficiently and minimise interest costs of borrowings held alongside surplus cash. The Group will further benefit from the lower fees payable under the smaller facility.

During the first quarter of the year, the Group cancelled long leases on nine stores and at the same time entered into new sale and leaseback contracts on those stores. The combination of the cancellation of the existing finance leases and the new sale and leaseback transactions generated a net cash inflow of £36.6 million and reduced net debt by £79.2 million

OUTLOOK

Looking forward, there are some encouraging signs that commodity prices such as cotton may fall which could be positive for both consumers and retailers in terms of pricing. In the short term, whilst we will continue to benefit from the contribution of Magasin and lower interest rates, we are planning for no real change in consumer confidence. We will continue to ensure that our focus on offering our customers outstanding choice, quality and value remains at the forefront of our decision making.

We continue to believe that our investments in infrastructure, the building of a seamless multi-channel business and the continuing improvements to the store experience through our refurbishment programme will serve us well, particularly when the retail environment begins to improve.

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 2010 (see pages 46 to 49 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; sustained supplier cost price increases due to rising cost of raw materials, labour etc; and inability to predict or fulfil customer demands or preferences.

BOARD OF DIRECTORS

Mark Rolfe joined the board as a non-executive director on 1 October 2010.

The board of directors as at 14 April 2011 is as follows: Nigel Northridge (chairman), Rob Templeman (chief executive), Michael Sharp (deputy chief executive), Chris Woodhouse (finance director), 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).

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	1 June 2011
Record date	3 June 2011
Dividend payment date	8 July 2011

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 167 stores in the UK, the Republic of Ireland and Denmark as well as 62 international franchise stores in 25 countries. Debenhams products are also available online at www.debenhams.com and www.debenhams.ie and through iPhone, 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, 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.

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 26 February 2011, 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 26 February 2011 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
London
14 April 2011

Consolidated Income Statement
For the 26 weeks ended 26 February 2011

	Note	Unaudited 26 weeks to 26 February 2011 £m	Unaudited 26 weeks to 27 February 2010 £m	Audited 52 weeks to 28 August 2010 £m
Revenue	2,3	**1,222.3**	1,187.8	2,119.9
Cost of sales		**(1,027.1)**	(1,001.2)	(1,838.9)
Analysed as:				
Cost of sales before exceptional items		(1,027.1)	(991.1)	(1,829.5)
Exceptional cost of sales	4	-	(10.1)	(9.4)
Gross profit		**195.2**	186.6	281.0
Distribution costs		**(37.6)**	(28.9)	(55.1)
Administrative expenses		**(19.9)**	(23.7)	(43.0)
Analysed as:				
Administrative expenses before exceptional items		(19.9)	(21.2)	(40.2)
Exceptional administrative expenses	4	-	(2.5)	(2.8)
Other exceptional income	4	-	6.6	6.8
Operating profit	3	**137.7**	140.6	189.7
Analysed as:				
Operating profit before exceptional items		137.7	146.6	195.1
Exceptional items	4	-	(6.0)	(5.4)
Interest receivable and similar income	5	**3.7**	4.4	6.7
Interest payable and similar charges	6	**(16.1)**	(30.5)	(56.5)
Profit before taxation		**125.3**	114.5	139.9
Taxation	7	**(33.8)**	(34.4)	(42.9)
Analysed as:				
Taxation before exceptional items	7	(33.8)	(36.3)	(44.6)
Taxation credit on exceptional items		-	1.9	1.7
Profit for the financial period attributable to equity shareholders		**91.5**	80.1	97.0

Earnings per share attributable to the equity shareholders

		Pence per share	Pence per share	Pence per share
Basic	9	**7.1**	6.2	7.5
Diluted	9	**7.1**	6.2	7.5

The notes on pages 15 to 21 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Comprehensive Income

For the 26 weeks ended 26 February 2011

	Note	Unaudited 26 weeks to 26 February 2011 £m	Unaudited 26 weeks to 27 February 2010 £m	Audited 52 weeks to 28 August 2010 £m
Profit for the financial period		91.5	80.1	97.0
Other comprehensive income				
Actuarial gains/(losses) recognised in the pension schemes	11	62.0	13.1	(37.1)
Deferred tax movement on actuarial (gains)/losses		(17.9)	(3.7)	7.8
Change in the value of available-for-sale investments		0.1	(0.3)	(6.8)
Currency translation differences		2.6	(3.4)	(1.0)
Cash flow hedges				
- net fair value (losses)/gains		(5.6)	21.3	24.0
- tax on net fair value losses/(gains)		1.5	(6.0)	(6.5)
- reclassified and reported in net profit		-	3.8	6.8
- tax on items reclassified and reported in net profit		-	(1.1)	(1.9)
- recycled and adjusted against the cost of inventory		(2.4)	(0.5)	(4.3)
- tax on items recycled against the cost of inventory		0.6	0.1	1.2
Total other comprehensive income/(expense)		40.9	23.3	(17.8)
Total comprehensive income for the period		132.4	103.4	79.2

The notes on pages 15 to 21 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet

At 26 February 2011

	Note	Unaudited 26 February 2011 £m	Unaudited 27 February 2010 £m	Audited 28 August 2010 £m
ASSETS				
Non-current assets				
Intangible assets	10	847.1	841.6	846.2
Property, plant and equipment	10	618.4	668.2	676.1
Available-for-sale investments		7.7	8.5	7.8
Derivative financial instruments		1.1	3.6	0.9
Other receivables		17.8	17.5	17.2
Deferred tax assets		77.7	75.4	92.0
		1,569.8	1,614.8	1,640.2
Current assets				
Inventories		325.6	286.9	295.3
Trade and other receivables		71.7	72.5	73.4
Derivative financial instruments		1.2	10.3	8.9
Cash and cash equivalents	14	35.4	92.4	69.5
		433.9	462.1	447.1
LIABILITIES				
Current liabilities				
Bank overdraft and borrowings	14	(143.7)	(2.3)	(545.7)
Derivative financial instruments		(10.0)	(5.6)	(1.8)
Trade and other payables		(496.1)	(483.8)	(494.2)
Current tax liabilities		(51.3)	(50.3)	(37.5)
Provisions for liabilities and charges		(6.6)	(5.9)	(4.4)
		(707.7)	(547.9)	(1,083.6)
Net current liabilities		(273.8)	(85.8)	(636.5)
Non-current liabilities				
Bank overdraft and borrowings	14	(243.3)	(601.6)	(40.6)
Derivative financial instruments		(1.2)	(4.4)	(7.5)
Deferred tax liabilities		(81.1)	(79.0)	(83.8)
Other non-current liabilities		(318.0)	(280.7)	(285.7)
Provisions for liabilities and charges		(1.4)	(0.5)	(2.0)
Retirement benefit obligations	11	(14.6)	(35.9)	(80.7)
		(659.6)	(1,002.1)	(500.3)
NET ASSETS		636.4	526.9	503.4
SHAREHOLDERS' EQUITY				
Share capital	12	0.1	0.1	0.1
Share premium		682.9	682.9	682.9
Merger reserve		1,200.9	1,504.7	1,200.9
Reverse acquisition reserve		(1,199.9)	(1,199.9)	(1,199.9)
Hedging reserve		(5.1)	(0.9)	0.8
Other reserves		(2.5)	(1.1)	(5.2)
Retained earnings		(40.0)	(458.9)	(176.2)
TOTAL EQUITY		636.4	526.9	503.4

The notes on pages 15 to 21 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Changes in Equity

At 26 February 2011

	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 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 gains (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
Balance at 29 August 2009	683.0	1,504.7	(1,199.9)	(18.5)	2.6	(546.6)	425.3
Profit for the financial period	-	-	-	-	-	80.1	80.1
Actuarial gain on pension schemes	-	-	-	-	-	13.1	13.1
Deferred tax movement on pension schemes	-	-	-	-	-	(3.7)	(3.7)
Change in the value of available-for-sale investments	-	-	-	-	(0.3)	-	(0.3)
Currency translation differences	-	-	-	-	(3.4)	-	(3.4)
Cash flow hedges							
- net fair value gains (net of tax)	-	-	-	15.3	-	-	15.3
- reclassified and reported in net profit (net of tax)	-	-	-	2.7	-	-	2.7
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(0.4)	-	-	(0.4)
Total comprehensive income and expense for the financial period	-	-	-	17.6	(3.7)	89.5	103.4
Share-based payment charge	-	-	-	-	-	0.6	0.6
Discount arising on repurchase of term loan facility (net of tax)	-	-	-	-	-	(2.4)	(2.4)
Total transactions with owners	-	-	-	-	-	(1.8)	(1.8)
Balance at 27 February 2010	683.0	1,504.7	(1,199.9)	(0.9)	(1.1)	(458.9)	526.9

	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 29 August 2009	683.0	1,504.7	(1,199.9)	(18.5)	2.6	(546.6)	425.3
Profit for the financial period	-	-	-	-	-	97.0	97.0
Actuarial loss on pension schemes	-	-	-	-	-	(37.1)	(37.1)
Deferred tax movement on pension schemes	-	-	-	-	-	7.8	7.8
Change in the value of available-for sale-investments	-	-	-	-	(1.0)	-	(1.0)
Currency translation differences	-	-	-	-	(6.8)	-	(6.8)
Cash flow hedges							
- net fair value gains (net of tax)	-	-	-	17.5	-	-	17.5
- reclassified and reported in net profit (net of tax)	-	-	-	4.9	-	-	4.9
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(3.1)	-	-	(3.1)
Total comprehensive income and expense for the financial year	-	-	-	19.3	(7.8)	67.7	79.2
Share-based payment charge	-	-	-	-	-	1.3	1.3
Redemption of preference shares	-	(303.8)	-	-	-	303.8	-
Discount arising on repurchase of term loan facility (net of tax)	-	-	-	-	-	(2.4)	(2.4)
Total transactions with owners	-	(303.8)	-	-	-	302.7	(1.1)
Balance at 28 August 2010	683.0	1,200.9	(1,199.9)	0.8	(5.2)	(176.2)	503.4

The notes on pages 15 to 21 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement
For the 26 weeks ended 26 February 2011

	Note	Unaudited 26 weeks to 26 February 2011 £m	Unaudited 26 weeks to 27 February 2010 £m	Audited 52 weeks to 28 August 2010 £m
Cash flows from operating activities				
Cash generated from operations	13	187.3	203.9	299.2
Interest received		6.5	1.6	2.7
Interest paid		(13.4)	(29.1)	(49.6)
Tax paid		(24.1)	(21.7)	(44.1)
Transaction costs on acquisition of Magasin		-	(0.3)	(1.0)
Net cash generated from operating activities		156.3	154.4	207.2
Cash flows from investing activities				
Acquisition of subsidiary (net of cash acquired)		-	(9.8)	(9.1)
Purchase of property, plant and equipment		(41.0)	(36.1)	(78.5)
Purchase of intangible assets		(4.6)	(3.2)	(11.2)
Proceeds from sale of property, plant and equipment	10	12.6	-	0.2
Net cash used in investing activities		(33.0)	(49.1)	(98.6)
Cash flows from financing activities				
Repayment of term loan facility		(548.6)	(159.7)	(159.7)
Repurchase of term loan facility		-	(39.1)	(52.3)
Draw down of new facility	14	385.0	-	-
Share issue costs		-	(4.7)	(4.7)
Finance lease payments		(1.1)	-	(0.5)
Debt issue costs		(0.8)	-	(10.1)
Net cash used in financing activities		(165.5)	(203.5)	(227.3)
Net decrease in cash and cash equivalents	14	(42.2)	(98.2)	(118.7)
Cash and cash equivalents at beginning of financial period		69.5	188.2	188.2
Revaluation of cash and cash equivalents		0.8	-	-
Cash and cash equivalents at end of financial period	14	28.1	90.0	69.5

The notes on pages 15 to 21 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 2010 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 2010.

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 28 August 2010 have been extracted from the Group's 2010 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.

The following new standards and interpretations are mandatory for the first time for the 53 weeks beginning 29 August 2010; however these have no significant impact on the Group:

- IFRS 2 amendment 'Share-based Payments – Group settled share-based payment transactions'
- IAS 32 amendment 'Presentation on classification of rights issue'
- Annual improvements to IFRSs (2009)
- IFRIC 18 'Transfers of assets from customers'
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'

The following new standards and interpretations have been issued but are not effective for the 53 weeks beginning 29 August 2010 and have not been adopted early:

International Accounting Standards (IFRS)		Effective date
IFRS 9	Financial Instruments	1 January 2013
IAS 24 amendment	Related Party Disclosures	1 January 2011
Annual improvements (2010)		1 January 2011
IFRIC Interpretations		
IFRIC 14 amendment	Prepayments on a Minimum Funding Requirement	1 January 2011

2 Gross transaction value

Revenue from concession and consignment sales are 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 points, represents a good guide to the overall activity of the Group.

	26 weeks to 26 February 2011 £m	26 weeks to 27 February 2010 £m	52 weeks to 28 August 2010 £m
Gross transaction value	1,463.0	1,417.2	2,564.3

3 Segmental information

IFRS 8 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 is 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. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts.

Segmental analysis of results	Retail £m	Magasin £m	Total £m
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
26 weeks ended 27 February 2010			
Gross transaction value	1,329.0	88.2	1,417.2
Concessions, consignments, staff discounts and loyalty schemes	(190.5)	(38.9)	(229.4)
External revenue	1,138.5	49.3	1,187.8
Operating profit before exceptional items	143.5	3.1	146.6
Exceptional items	(4.2)	(1.8)	(6.0)
Operating profit after exceptional items	139.3	1.3	140.6
Year ended 28 August 2010			
Gross transaction value	2,373.2	191.1	2,564.3
Concessions, consignments, staff discounts and loyalty schemes	(356.9)	(87.5)	(444.4)
External revenue	2,016.3	103.6	2,119.9
Operating profit before exceptional items	193.6	1.5	195.1
Exceptional items	(3.6)	(1.8)	(5.4)
Operating profit/(loss) after exceptional items	190.0	(0.3)	189.7

4 Exceptional items

Exceptional items comprise the following (the operating segment of each item is shown in brackets):

	Note	26 weeks to 26 February 2011 £m	26 weeks to 27 February 2010 £m	52 weeks to 28 August 2010 £m
Exceptional cost of sales				
Restructuring costs (Retail)	a	-	(10.1)	(9.4)
Exceptional administrative expenses				
Restructuring costs (Magasin)	b	-	(1.8)	(1.8)
Costs on acquisition of Magasin (Retail)	c	-	(0.7)	(1.0)
		-	(2.5)	(2.8)
Other exceptional income				
Bargain purchase credit – Magasin (Retail)	d	-	6.6	6.8
Net exceptional items		-	(6.0)	(5.4)

a Restructuring costs included in cost of sales represent the amount incurred for redundancies within the Republic of Ireland.

b Restructuring costs recognised in administrative expenses represent the amount incurred in respect of restructuring costs in Magasin.

c This amount represents the total directly attributable transaction costs on the acquisition of Magasin included in exceptional administrative expenses.

d This amount represents the bargain purchase credit on acquisition of Magasin.

5 Interest receivable and similar income

	26 weeks to 26 February 2011 £m	26 weeks to 27 February 2010 £m	52 weeks to 28 August 2010 £m
Interest on bank deposits	0.4	0.6	2.9
Discount arising on debt repurchase	-	3.8	3.8
Other financing income	3.3	-	-
Interest receivable and similar income	3.7	4.4	6.7

6 Interest payable and similar charges

	26 weeks to 26 February 2011 £m	26 weeks to 27 February 2010 £m	52 weeks to 28 August 2010 £m
Bank loans and overdrafts	11.6	22.4	41.7
Charge arising from recycling of cash flow hedge	-	3.8	6.8
Amortisation of issue costs on loans	3.9	3.1	5.7
Interest payable on finance leases	-	1.2	2.3
Other financing charges	0.6	-	-
Interest payable and similar charges	16.1	30.5	56.5

7 Taxation

The taxation charge for the 26 weeks ended 26 February 2011 is based on an estimated effective tax rate for the full year of 26.9% (52 weeks ended 28 August 2010: 30.7%). This is lower than the standard rate of corporation tax (27.6% blended rate) due to adjustments in respect of prior periods and the utilisation of brought forward losses.

The Group is currently assessing the impact of the recent changes to the corporate tax rate announced in the 2011 Budget.

8 Dividends

The Company did not pay a final dividend in respect of the 52 weeks ended 28 August 2010. The directors are proposing to pay an interim dividend in respect of the 26 weeks ended 26 February 2011 of 1.0 pence per share (27 February 2010: nil pence) which will absorb an estimated £12.9 million of shareholders' funds (27 February 2010: £nil million). It will be paid on 8 July 2011 to shareholders who are on the register of members at close of business on 3 June 2011. The scrip alternative is not being offered with this dividend.

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.

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 26 February 2011		26 weeks to 27 February 2010		52 weeks to 28 August 2010
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the financial period after taxation	91.5	91.5	80.1	80.1	97.0	97.0
	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)	(0.4)	(0.4)	(1.0)	(1.0)	(0.9)	(0.9)
Shares issuable (weighted)	-	0.5	-	-	-	0.2
Adjusted weighted average number of shares	1,286.4	1,286.9	1,285.8	1,285.8	1,285.9	1,286.1
	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	7.1	7.1	6.2	6.2	7.5	7.5

10 Tangible and intangible assets and commitments

	Tangible and intangible assets		
	26 February 2011 £m	27 February 2010 £m	28 August 2010 £m
Opening net book amount	1,522.3	1,509.1	1,509.1
Additions	41.6	47.6	112.0
Foreign currency revaluation	2.2	0.7	(4.0)
Disposals	(55.4)	(0.1)	(0.6)
Depreciation and amortisation	(45.2)	(47.5)	(94.2)
Closing net book amount	1,465.5	1,509.8	1,522.3

Capital commitments contracted but not provided for by the Group amounted to £19.3 million (28 August 2010: £3.9 million; 27 February 2010: £8.1 million). During the period 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.

11 Defined benefit pension plans

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

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. Relevant data obtained by the actuary from this valuation has been used when calculating the IAS 19 'Employee benefits' valuation at 26 February 2011, 28 August 2010 and 27 February 2010.

The major assumptions used by the actuary are given below. The mortality assumptions remain consistent with those disclosed in the Group's 2010 Annual Report and Financial Statements.

	26 February 2011 % pa	27 February 2010 % pa	28 August 2010 % pa
Inflation assumption	3.60	3.50	3.20
General salary and wage increase	3.60	3.50	3.20
Rate of increase in pension payments and deferred payments	3.60	3.50	3.20
Pension increase rate	3.50	3.50	3.10
Discount rate	5.65	5.70	5.00

The movement in the net pension deficit is as follows:

	26 February 2011 £m	27 February 2010 £m	28 August 2010 £m
Fair value of scheme assets	562.4	509.1	523.8
Defined benefit obligation	(577.0)	(545.0)	(604.5)
Net pension deficit	(14.6)	(35.9)	(80.7)
Deficit at the start of the period	(80.7)	(53.6)	(53.6)
Contributions	3.7	3.6	7.9
Net interest credit	0.4	1.0	2.1
Net actuarial gains/(losses) on change of assumptions	62.0	13.1	(37.1)
Deficit at the end of the period	(14.6)	(35.9)	(80.7)

12 Share capital

	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each		
At 26 February 2011, 28 August 2010 and 27 February 2010	128,680	1,286,806,299

13 Cash generated from operations

	26 weeks to 26 February 2011 £m	26 weeks to 27 February 2010 £m	52 weeks to 28 August 2010 £m
Profit for the financial period	91.5	80.1	97.0
Taxation	33.8	34.4	42.9
Depreciation and amortisation (note 10)	45.2	47.5	94.2
Loss on disposal of property, plant and equipment	0.1	0.1	0.4
Bargain purchase credit on acquisition of Magasin (net of transaction costs incurred)	-	(5.9)	(5.8)
Employee options granted during the year	0.6	0.6	1.3
Fair value losses on derivative instruments	1.2	0.7	3.1
Net movements in provisions for liabilities and charges	1.6	2.9	1.8
Interest income (note 5)	(3.7)	(4.4)	(6.7)
Interest expense (note 6)	16.1	30.5	56.5
Difference between pension charge and contributions paid	(4.1)	(4.6)	(10.0)
Net movement in other long-term debtors	(0.1)	-	(1.1)
Net movement in other non-current liabilities	32.3	7.7	12.6
Changes in working capital			
Increase in inventories	(29.8)	(2.7)	(11.0)
(Increase)/decrease in trade and other receivables	(2.7)	1.9	4.4
Increase in trade and other payables	5.3	15.1	19.6
Cash generated from operations	187.3	203.9	299.2

14 Analysis of changes in net debt

	At 28 August 2010 £m	Cash flow £m	Non cash movements £m	At 26 February 2011 £m

Analysis of net debt				
Cash and cash equivalents	69.5	(34.9)	0.8	35.4
Bank overdrafts	-	(7.3)	-	(7.3)
Cash and cash equivalents and bank overdrafts	69.5	(42.2)	0.8	28.1
Debt due within one year	(541.9)	414.4	(7.6)	(135.1)
Debt due after one year	-	(250.0)	7.9	(242.1)
Finance lease obligations due within one year	(3.8)	1.1	1.4	(1.3)
Finance lease obligations due after one year	(40.6)	-	39.4	(1.2)
	(516.8)	123.3	41.9	(351.6)

During the period the Group repaid its term loan facility and cancelled its existing Revolving Credit Facility due to otherwise expire in April 2011. At the same time the Group drew down a new term loan of £250.0 million, under its forward start facility signed in July 2010. At 26 February 2011 the Group had drawn an additional £135.0 million Revolving Credit Facility under the same agreement.

15 Related parties

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

16 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, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first 26 weeks of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Debenhams plc are listed on page 6 of this interim report.

By order of the board

Paul Eardley

Company Secretary

14 April 2011