First half progress

- Good strategic progress, profit performance impacted by snow in UK
- Like-for-like sales up for fourth consecutive half
- Highest ever December sales following first Christmas brand campaign for six years
- Ongoing momentum in market share across key categories
- Online sales growing three times faster than market
- Oxford Street modernisation on plan
Debenham's

Simon Herrick, Chief Financial Officer
Financial headlines

Group gross transaction value +3.5%
Group LFL sales excluding VAT +3.1%
Gross margin -20bps
Profit before tax -5.4%
Net debt reduction £47m
Earnings per share +2.7%
Dividend per share 1.0p
Resilient track record

Gross transaction value (£m)

Profit before tax (£m)

*Before exceptional items

Earnings per share (p)

Net debt (£m)
### Summary trading results

<table>
<thead>
<tr>
<th></th>
<th>H1 13 (£m)</th>
<th>Variance vs. H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>Intl</td>
</tr>
<tr>
<td>Gross transaction value</td>
<td>1,255.1</td>
<td>280.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>147.4</td>
<td>27.9</td>
</tr>
<tr>
<td>Operating profit</td>
<td>104.8</td>
<td>22.7</td>
</tr>
<tr>
<td>Including: IAS19 pension credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td>(7.2)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(25.1)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (pence)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend per share (pence)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Debenhams**

*Life made fabulous*
Ongoing market share gains in key categories

- Total fashion: 5.0% (2013) vs 4.9% (2012)
- Womenswear: 5.2% (2013) vs 5.1% (2012)
- Menswear: 5.2% (2013) vs 5.1% (2012)
- Childrenswear: 3.7% (2013) vs 3.8% (2012)
- Beauty: 23.5% (2013) vs 23.0% (2012)
- Home: 2.0% (2013) vs 1.9% (2012)

Sources: Fashion – Kantar Worldpanel Fashion 24 weeks to 17 March 2013, Beauty – NPD 52 weeks to March 2013, Home (including furniture) – GFK 33 weeks to 9 February 2013
Components of sales growth

UK online: +4.0%
UK stores: -1.1%
UK space: +0.3%
International: +0.3%

GTV: +3.5%
### Gross margin and own bought mix

#### Gross margin

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>81.7</td>
<td>81.8</td>
</tr>
<tr>
<td>(bps)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Own bought mix (%)

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>62.8</td>
<td>62.4</td>
</tr>
<tr>
<td>International</td>
<td>78.3</td>
<td>78.2</td>
</tr>
<tr>
<td>Group</td>
<td>81.8</td>
<td>81.8</td>
</tr>
</tbody>
</table>

**H1 13 vs. H1 12 (bps)**

- **Group**: 81.8 vs. 81.8 (0 bps)
- **UK**: 62.8 vs. 62.4 (4 bps)
- **International**: 78.3 vs. 78.2 (1 bps)

---

**Life made fabulous**
Online growing well ahead of the market

Online GTV
Online GTV growth +46.2%
Online EBITDA growth +64.7%

- Medium-term online sales target: £600 million
- Online market share +70bps to 3.9% (source: Kantar, 24 weeks to 17 March 2013)
<table>
<thead>
<tr>
<th>Store portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>End of FY 12</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>End of H1 13</strong></td>
</tr>
<tr>
<td><strong>• Lichfield opening</strong></td>
</tr>
<tr>
<td><strong>End of FY 13</strong></td>
</tr>
</tbody>
</table>
## Close management of costs

<table>
<thead>
<tr>
<th>Category</th>
<th>H1 13</th>
<th>H1 12</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store payroll</td>
<td>£152.6m</td>
<td>£149.8m</td>
<td>+1.9%</td>
</tr>
<tr>
<td>% to sales</td>
<td>9.9%</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Store rent</td>
<td>£93.0m</td>
<td>£91.5m</td>
<td>+1.6%</td>
</tr>
<tr>
<td>% to sales</td>
<td>6.1%</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td>Warehousing &amp; distribution</td>
<td>£52.7m</td>
<td>£42.3m</td>
<td>+24.6%</td>
</tr>
<tr>
<td>% to sales</td>
<td>3.4%</td>
<td>2.9%</td>
<td></td>
</tr>
</tbody>
</table>

- Other costs: ratio to GTV increased by 30bps
Tight stock management

Headline increase
- New stores +0.5%
- Online expansion +3.7%
- Department store mix -0.4%

Terminal stock at end of H1 3.0%

Stock value
+3.8%
+0.5%
+3.7%
-0.4%

Unit density*
Units/sq ft

*Excludes Magasin
Clear priorities for cash

1. Invest in business to support the four pillars of the strategy
2. Grow dividend in line with maintaining 3x cover
3. Move towards 1x net debt/EBITDA over medium-term
4. Return surplus cash to shareholders through long-term share buyback programme
### Highly cash generative

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>127.5</td>
<td>134.0*</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>47.8</td>
<td>46.2</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>175.3</td>
<td>180.2</td>
</tr>
<tr>
<td>Working capital</td>
<td>(10.6)</td>
<td>(0.9)*</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(51.9)</td>
<td>(47.7)</td>
</tr>
<tr>
<td><strong>Cash flow before financing &amp; taxation</strong></td>
<td>112.8</td>
<td>131.6</td>
</tr>
</tbody>
</table>

*Excludes impact of Lloyds sales and leaseback
Capital investment to support the four pillars of the strategy

**H1 13**

- New UK stores: 6% (£3.11m)
- UK store modernisations: 21% (£10.50m)
- UK maintenance: 8% (£4.15m)
- International: 26% (£13.02m)
- Other: 6% (£3.11m)
- International: 6% (£3.11m)

**FY 13 guidance**

- Group systems: 10% (£13.50m)
- Group warehouse: 3% (£3.90m)
- UK maintenance: 24% (£31.80m)
- UK store modernisations: 6% (£7.80m)
- Head office move: 6% (£7.80m)
- Other: 13% (£17.55m)

Total: £135m

*Debenhams Life made fabulous*
# Uses of cash and reduction in net debt

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow before financing &amp; taxation</td>
<td>112.8</td>
<td>131.6</td>
</tr>
</tbody>
</table>

## Uses of cash

- **Taxation**: (19.7) (26.3)
- **Financing**: (6.5) (6.7)
- **Dividends paid**: (28.9) (25.7)
- **Share buyback**: (9.0) -

## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow</td>
<td>48.7</td>
<td>72.9</td>
</tr>
</tbody>
</table>

## Other lease/non-cash movements

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other lease/non-cash movements</td>
<td>(1.6)</td>
<td>(1.0)</td>
</tr>
</tbody>
</table>

## Change in net debt

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net debt</td>
<td>47.1</td>
<td>71.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net debt</td>
<td>368.7</td>
<td>383.7</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>321.6</td>
<td>311.8</td>
</tr>
</tbody>
</table>

**Leverage** net debt/EBITDA (LTM)

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leverage</strong></td>
<td>1.2x</td>
<td>1.2x</td>
</tr>
</tbody>
</table>

**Debenhams**

*Life made fabulous*
Pension credit

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY EPS excluding IAS19*</td>
<td>6.0p</td>
<td>5.8p</td>
<td>7.4p</td>
<td>7.4p</td>
<td>9.0p</td>
<td>8.9p</td>
<td>n/a</td>
</tr>
<tr>
<td>IAS19 impact on FY EPS*</td>
<td>(0.7p)</td>
<td>(0.7p)</td>
<td>(0.6p)</td>
<td>(0.2p)</td>
<td>(0.1p)</td>
<td>(0.9p)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*2007-2009 adjusted for 2009 share issue
## Revised cost guidance

<table>
<thead>
<tr>
<th></th>
<th>FY 12</th>
<th>FY 13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store costs</td>
<td>£576.7m</td>
<td>2-3% inflation</td>
</tr>
<tr>
<td><em>Direct costs</em></td>
<td>£62.3m</td>
<td>c. 200bps improvement</td>
</tr>
<tr>
<td>% to direct sales</td>
<td>26.6%</td>
<td></td>
</tr>
<tr>
<td>Other costs</td>
<td></td>
<td>5-7% inflation</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store costs</td>
<td>£125.1m</td>
<td>2-4% inflation</td>
</tr>
<tr>
<td>Other costs</td>
<td></td>
<td>2-4% inflation</td>
</tr>
</tbody>
</table>

New franchise stores: assume c.£200k EBITDA per store per year
A leading international, multi-channel brand

The four pillars of the strategy

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

- Improve uninvested core stores
- Continued investment in modernisations
- Open new stores
Improve uninvested core stores

- 25 UK stores out of 155 total are awaiting modernisation

- Doing retail basics better and with more consistency is delivering an improved performance

Dress: J by Jasper Conran £140
Hat: Top Hat by Stephen Jones £110
Shoes: J by Jasper Conran £60
Bag: J by Jasper Conran £50
Continued investment in modernisations

- Strong financial returns
  - *Sales uplift: year 1 c.6%, year 2 c.1.5%*
  - *Return on investment: c.15%*
- Good performance from 18 stores modernised in 2012
- 5 more stores on site now; 7 more starting summer 2013
- Remaining 18 stores modernised by Christmas 2014

Dress: Red Herring £48
Shoes: Flossa £40
Oxford Street: creating an international flagship

A branded environment that redefines Debenhams in our Oxford Street flagship and beyond, creating a vibrant and relevant concept for the future
Open new stores

- Continue to generate strong financial returns: c.40% return on investment on 35 stores opened over past 5 years
- Chesterfield opened successfully in September 2012
- Contracted pipeline of 17 stores adding 800,000 sq ft with estimated sales of c£150m
  - May 2013: Lichfield
  - FY 14: Cheshire Oaks, Haverfordwest, Hereford, Leamington Spa
  - FY 15, FY 16, FY 17: 4 stores in each year
Delivering a compelling customer proposition

Brand and product strategy

Instore execution

Communicating the proposition
Brand and product strategy: building own brands

- **Focus on own core and Designer brands:** increases exclusivity, reduces online price comparison
- **Power brands:** stretch across categories, £100m current or potential annual sales
- **Growing brands:** ability to extend into more stores and/or categories
- **New brands:** investing for the future
- **Sales density trials underway**
Brand and product strategy: expanding categories

- **Non-clothing** now accounts for c.50% of total sales
- **Premium beauty**
  - *Market leader instore and online*
  - *Beauty Club drives loyalty*
  - *Store modernisations*
- **Footwear**
  - *Strong share growth in last 6 months*
  - *Aiming to double share over next 3 years*
- **Home**
  - *Significant growth in Designers*
  - *Big opportunity in furniture online*

Shoes: Faith £45
Bag: Faith £50
Instore execution

- Focus on product statement clarity and being more authoritative with merchandise messages

- Model store programme to set standards now established, latest phase just completed

- Visual merchandising and product presentation standards are better but still not consistently good enough across all stores

Bedding: Rocha.JohnRocha £28-78
Table lamp: Rocha.JohnRocha £55
Communicating the proposition

- Driving sales and improving brand perceptions under “Life Made Fabulous”
- Strong results from first Christmas brand campaign for 6 years
- Continued focus on return on investment from higher spend
- Encouraging multi-channel behaviour
  - *Single view of the customer*
  - *Raising awareness of other channels*
  - *Focus on converting store customers*

Matthew Williamson in the summer campaign TV ad
Swimsuit: Butterfly by Matthew Williamson £39.50
Increasing availability and choice through multi-channel

More products and better availability

More ways to shop

Improving the multi-channel experience
More choice and better availability

- More choice
  - *Drives natural search and lowers cost of customer acquisition*
  - *Maximising categories with propensity to sell online*
  - *Product and brand strategy driving online growth in key categories*
  - *Leveraging store strength in categories such as beauty*

- Better availability: Endless Aisle
  - *Facilitated more targeted investment in online stock levels*
  - *Precursor to future “pick from store” capability*
More ways to shop: the growth of mobile

**Mobile visits will significantly influence future online growth**

- Importance of apps
  - Reduce cost of customer acquisition
  - Widest suite of apps
  - Barcode scanner drives multi-channel behaviour instore

- Mobile is more than just a direct sales channel: significant influence on store sales
  - For every £1 spent on mobile, a further £10 will be influenced instore

Visits to Debenhams UK website

- PC/laptop
- Tablet
- Smartphone

2010 2011 2012 2013F
Improving the multi-channel experience

- Evolving our fulfilment and delivery towards best practice
  - Own brand fulfilment operations now in-house
  - Trialling higher order value threshold for free delivery
  - Next day delivery to home available for peak trading 2013
  - Improve collect from store service to meet anticipated higher demand and leverage increased footfall
  - Will allow us to recover more of our delivery costs
Expanding the brand internationally

- International franchise stores
- Owned international assets
- International online
International franchise stores

- 62 stores in 24 countries at end of H1
- On track for 150 stores in 5 years
- Contracted new store pipeline increased to 25 stores starting with 10 opening in 2014
- Over 50 further stores in discussion
- International logistics
  - *Shipments direct from supplier to franchise partner start this summer*

Riyadh Kingdom Mall, Saudi Arabia
Owned international assets

- Magasin du Nord
  - *Strong trading in H1; local currency like-for-like sales up 9.8%*
  - *Good performance from own brands*
  - *Exploring opportunities to maximise brand in Scandinavia*

- Republic of Ireland
  - *Difficult trading environment continues*
International online

- Delivering to 66 countries outside UK
- Republic of Ireland improving following systems changes; multi-channel developments
- Good early response to Magasin website launched September 2012
- German website: localisation needs to go beyond translation
- Exploring multi-channel model with larger franchise partners
Summary of medium-term objectives

- Potential for up to £1 billion of additional sales from 70 new UK stores
- On track to complete remaining modernisations by Christmas 2014
- Grow Designers at Debenhams sales to £750 million
- Grow online sales to £600 million
- Increase number of international franchise stores to 150
- Long-term share buyback programme: up to £40m by end of October 2013
Outlook and summary

- Consumer confidence weak, market conditions challenging
- Made progress in H1 across the four pillars and expect to make further progress in H2
- Cash generative with clear priorities for cash
- Investing to support long-term sustainable growth
- Committed to our strategy of building a leading international, multi-channel brand