

DEBENHAMS

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DEBENHAMS PLC INTERIM MANAGEMENT STATEMENT

Debenhams plc today announces its interim management statement for the period to 23 June 2012.

Sales performance

Our good sales performance in the second half of the year, which is summarised in the table below, has been driven by our ongoing focus on the four pillars of our strategy to create a leading international, multi-channel brand. Sales trends have accelerated from the first half exit run-rate.

	16 weeks 4 March 2012 to 23 June 2012	42 weeks 4 September 2011 to 23 June 2012	First half 4 September 2011 to 3 March 2012
Group gross transaction value	+3.9%	+2.2%	+1.4%
Group LFL sales – inc VAT	+3.0%	+1.9%	+1.4%
Group LFL sales – exc VAT	+3.1%	+1.2%	+0.3%

Delivering a compelling customer proposition

Although it has been a challenging trading period given both economic uncertainty and unseasonal weather, we have achieved sales growth through meeting our customers' needs, especially around key events when footfall has been at its highest such as Easter, Mother's Day, the Diamond Jubilee and month-ends. Our success in driving sales was supported by investment in marketing around both our premium Life Made Fabulous theme and these calendar events. Additionally, the ongoing development of our business in non-clothing categories such as beauty, accessories and home helped to alleviate the impact of the cold, wet spring on our more seasonal clothing categories, most notably womenswear. Market share growth has been achieved in our key categories, including womenswear for which we were pleased to see a 10 basis point share improvement (source: Kantar Worldpanel Fashion market share for 12 weeks to 13 May 2012 vs. 2011).

Increasing availability and choice through multi-channel

Online sales grew by 34.9% during the 16 weeks to 23 June and have increased by 40.2% year-to-date*. Debenhams is now the eleventh biggest UK online retailer by traffic volume, up from thirteenth last year (source: IMRG Experian Hitwise Hot Shops List May 2012). Mobile continues to be the fastest growing channel, accounting for some 30% of website traffic, and free wi-fi is now available for customers to use in all UK stores.

*These numbers include sales which have been fulfilled through endless aisle; on this basis, the first half online sales growth reported on 19 April 2012 of 34.7% is adjusted to 43.4%. In future, online sales will be reported on this basis.

Focusing on UK retail

We continue to be pleased with the performance of the stores modernised in the current programme. Nine modernisations were completed in early June. Work has commenced on another nine stores which will be finished by the end of September. Preliminary work has also commenced on the Oxford Street modernisation which will continue until October 2013.

A new 24,000 square feet store opened in Dumfries in May, taking the UK and Ireland portfolio to 165 stores. One further store has been added to the new store pipeline which stands at 14 stores expected to open over the next five years.

Expanding the brand internationally

Outside the UK, two new franchise stores have been opened during the second half to date bringing the total number of stores to 68 with one further store due to open in the remainder of this year and eight more in the following year. The six Magasin du Nord stores in Denmark have performed well, delivering good growth in gross transaction value and like-for-like sales during the 16 week period. The soft launch of the German website took place in May as planned. The full marketing and PR launch will take place later in the summer.

Gross margin guidance

There are early signs of the improvements in own bought intake margin which we anticipate will become evident in the final months of the year. However, these have been more than offset by a largely weather-related sales mix change towards health and beauty, which has a lower gross margin than own bought clothing, and by higher concession sales arising from our desire to add choice both in store and online. The promotional calendar is largely unchanged from last year as stocks have been very tightly controlled across the business given the difficult market conditions.

As a result of these factors, we now expect Group gross margin for the full year to be around 30 basis points lower than last year compared with our previous guidance of broadly flat.

Financial position

There has been no material change to the financial position of Debenhams since the announcement of the first half results on 19 April 2012. The long-term share buyback scheme has commenced and to date 9.7 million shares have been bought in the market for £7.7 million. Guidance for the current buyback programme remains £20 million in the six months from April 2012.

Outlook

Taking the sales performance, revised gross margin guidance and higher marketing spend into account, we remain comfortable with the market's current expectations for reported profit before tax for the year as a whole.

Michael Sharp, Chief Executive of Debenhams, said:

“We have continued to make good progress and I am particularly pleased with the like-for-like sales trends in the second half of the year. Debenhams has again demonstrated the efficacy of our strategy to build a leading international, multi-channel brand and our ability to trade well in difficult market conditions, as well as the inherent strength of the department store model.

“Looking forward, there is little sign of an imminent recovery in consumer confidence. Our focus for the remainder of this financial year and into next year will therefore be the remorseless execution of the four pillars of our strategy which we believe will bring success irrespective of the wider economy.”

- Ends -

A conference call for analysts and investors will be held at 9:00am today. To join this call, please dial +44 (0)20 3140 0820 (UK) or +1 718 705 7514 (US). A recording will be available for seven days on +44 (0)20 3140 0698 (UK) or +1 877 846 3918 (US), PIN 385366#.

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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 171 stores in the UK, the Republic of Ireland and Denmark as well as 68 international franchise stores in 25 countries. Debenhams products are available online at www.debenhams.com, www.debenhams.ie and www.debenhams.de as well as through iPhone, iPad, Android and Nokia apps.

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