DEBENHAMS

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DEBENHAMS PLC INTERIM MANAGEMENT STATEMENT

Debenhams plc, the leading international, multi-channel brand, today announces its interim management statement covering the 18 weeks to 5 January 2013.

Highlights

- Good sales momentum: 18 weeks LFL sales up 2.9%
- Highest ever December sales: five weeks to 5 January LFL sales up 5.0%
- Online sales ahead of expectations: 18 weeks up 39.0%

Michael Sharp, Chief Executive of Debenhams, said:

"I am pleased with our performance in the first four months of our financial year. The trading environment was extremely challenging but we focused on meeting the needs of our customers and executing the four pillars of our strategy. I would like to thank the whole of the Debenhams team for their tremendous efforts in delivering this performance.

"We continue to believe that whilst consumers have become acclimatised to the new economic reality, we don't anticipate a significant change in consumer confidence in the remainder of the year. We remain committed to prudent investment in key areas of the business to deliver long-term sustainable growth as well as driving shareholder value."

Debenhams continued to see good sales growth during the 18 week period, building on the momentum with which we exited last year. Group gross transaction value increased by 3.5% for the period whilst Group like-for-like sales grew by 2.9%.

With Christmas falling on a Tuesday this year, it was widely expected that customers would focus their shopping activities later in the season and this proved to be the case with Debenhams achieving its highest ever sales in December. Despite strong comparisons from last year, like-for-like sales over the five weeks to 5 January 2013 increased by 5.0% on a one year basis and by 8.5% on a two year basis.

The UK high street was more promotional than the prior year, with customers looking for bargains ahead of Christmas as well as in the traditional sale period. We traded the business accordingly which meant some increase in our own promotional activity in the run-up to Christmas. As a result, we now expect gross margin for the year to be 10 basis points higher than last year rather than 20 basis points as previously guided. Stock levels remain firmly under control and terminal stock at the end of the first half will be in line with the long-term average of 2.5-3.0%.

Focusing on UK retail

Modernised stores continued to perform well. The 18 stores completed last year which traded their first Christmas since modernisation delivered sales increases in line with historical performance. A further five stores will commence in January. Work on the Oxford Street project will gather

momentum later this month when the scaffolding is erected. It is only to be expected that some disruption will be experienced in Oxford Street during the remainder of this year and we will also incur some one-off costs associated with the head office relocation.

One new store opened in Chesterfield during the period taking the total number of UK stores to 155. Chesterfield is our first full department store on a retail park and has been one of our most successful launches ever. The first of the 17 stores in the UK pipeline is due to open in Lichfield in the spring.

Delivering a compelling customer proposition

Our first Christmas brand advertising campaign for six years, which ran throughout the peak trading period, was well received by customers and reinforced the exclusivity and diversity of our product ranges and established Debenhams as a key destination for gifting, especially in categories such as womenswear, beauty, accessories and lingerie.

Increasing choice and availability though multi-channel

The trend towards multi-channel shopping continues. Debenhams' online business delivered another strong sales performance which was ahead of our own expectations. Online sales in the 18 weeks increased by 39.0% and accounted for 12.6% of total sales compared with 9.3% in the previous financial year. This higher than anticipated growth in online sales will have an impact on warehousing and distribution costs over the course of the year. We now expect these costs as a percentage of sales to be more towards 3.5% than previous guidance of 3.2%.

Expanding the brand internationally

We remain on track to grow the number of international franchise stores to 150 over the next five years. During the 18 week period we opened five new stores, including market entry into Bulgaria and Georgia, taking the total to 73.

Share buyback and financial condition

The share buyback programme recommenced following the preliminary results in October 2012. To date this financial year we have purchased shares to the value of £7.7 million. Our guidance remains up to £40 million in the 12 months up to the preliminary results in October 2013. Except as detailed above, there have been no material events or transactions which have impacted the Group's strong financial position since the previously announced balance sheet dated 1 September 2012.

- Ends -

A conference call for analysts and investors will be held today at 9:00am UK time. To join this call, please dial +44 (0) 20 3426 2886 or +1 347 329 1282. A replay will be available for seven days on +44 (0) 3426 2807 or +1 866 535 8030, PIN 635724#.

Enquiries

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Notes to Editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of 245 stores across 29 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions. In the UK, Debenhams has a top five market share in womenswear and menswear and a top ten share in childrenswear. It leads the market in premium health and beauty.

Debenhams is available online in 67 countries and is the eleventh biggest UK online retailer by traffic volume. In March 2012 Debenhams was awarded "Multi-channel Retailer of the Year" at the Oracle Retail Week Awards.

Debenhams has been investing in British design for 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Donna Air, Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanda Ilincic, Betty Jackson, Jonathan Kelsey, Carol Lake, Ben de Lisi, Markus Lupfer, Julien Macdonald, Jane Packer, Jenny Packham, Pearce Fionda, Preen, Janet Reger, John Rocha, Jonathan Saunders, Marios Schwab, Lisa Stickley, Yukari Sweeney, Ashley Thomas, 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.