

DEBENHAMS

Full year
results 2010



Chris Woodhouse

Finance Director

Results Highlights

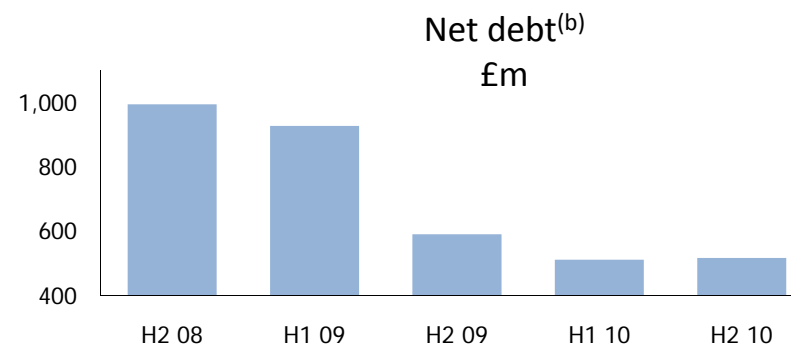
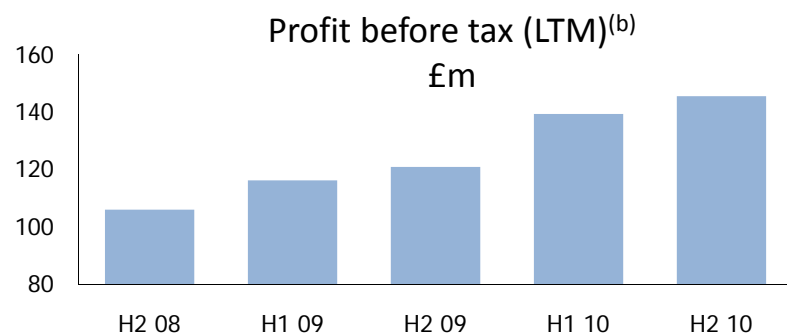
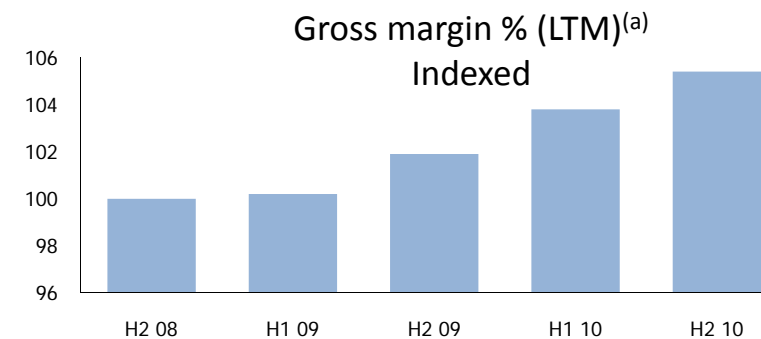
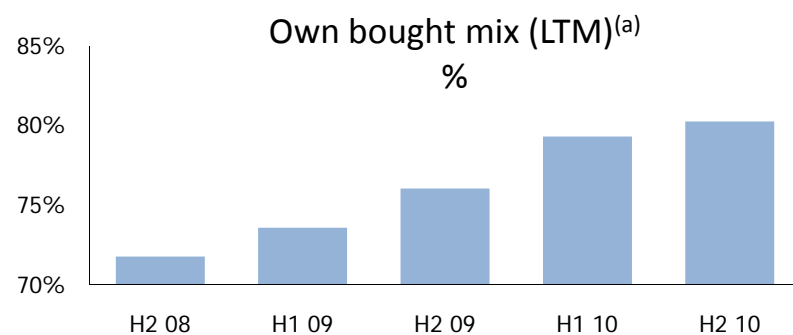
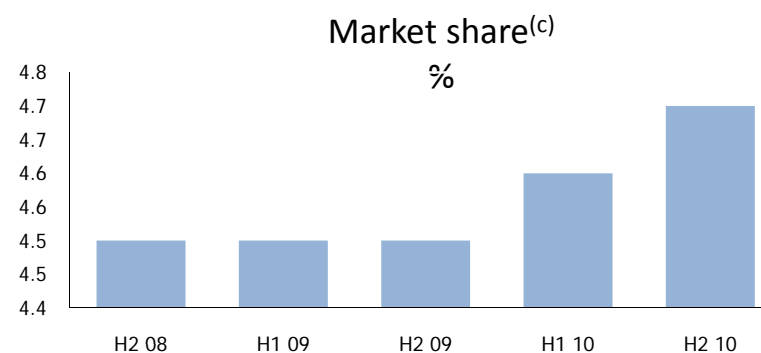
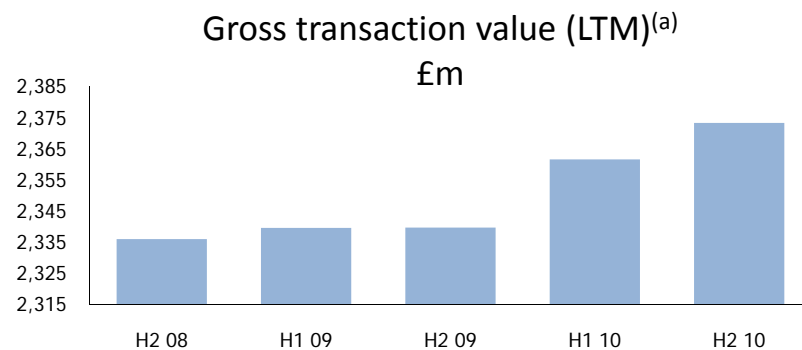
Gross transaction value	- including Magasin	+9.6%
	- excluding Magasin	+1.4%
Like-for-like sales ^(a)		Flat
Gross margin % increase		+70bps
Headline profit before tax increase ^(b)		+20.6%
Net debt reduction		£74m
Adjusted earnings per share ^(c)		7.9p

(a) Like-for-like excluding VAT

(b) After adding back £5.7m of amortisation on capitalised bank fees (FY09: £4.4m) and before exceptional items of £5.4m (FY09: £nil)

(c) Stated pre-exceptional and prior year tax adjustments

Performance Track Record



(a) Excludes Magasin

(b) Includes Magasin

(c) 12 month average UK market share

Trading Results FY10

£m	Excl Magasin	Magasin	FY 10	FY 09	% change
Gross transaction value	2,373.2	191.1	2,564.3	2,339.7	+9.6
EBITDA before exceptionals	284.1	5.6	289.7	278.5	+4.0
Operating profit before exceptionals	193.6	1.5	195.1	182.2	+7.1
Interest	(48.7)	(1.1)	(49.8)	(61.4)	+18.9
Profit before tax and exceptionals	144.9	0.4	145.3	120.8	+20.3
Exceptional items			(5.4)	-	
Profit before tax			139.9	120.8	+15.8
Taxation			(42.9)	(25.7)	
Profit after tax			97.0	95.1	+2.0
Basic earnings per share			7.5p	7.4p	0.1p
Adjusted earnings per share ^(a)			7.9p	9.0p	(1.1)p

(a) After adding back exceptional costs and prior year tax adjustments

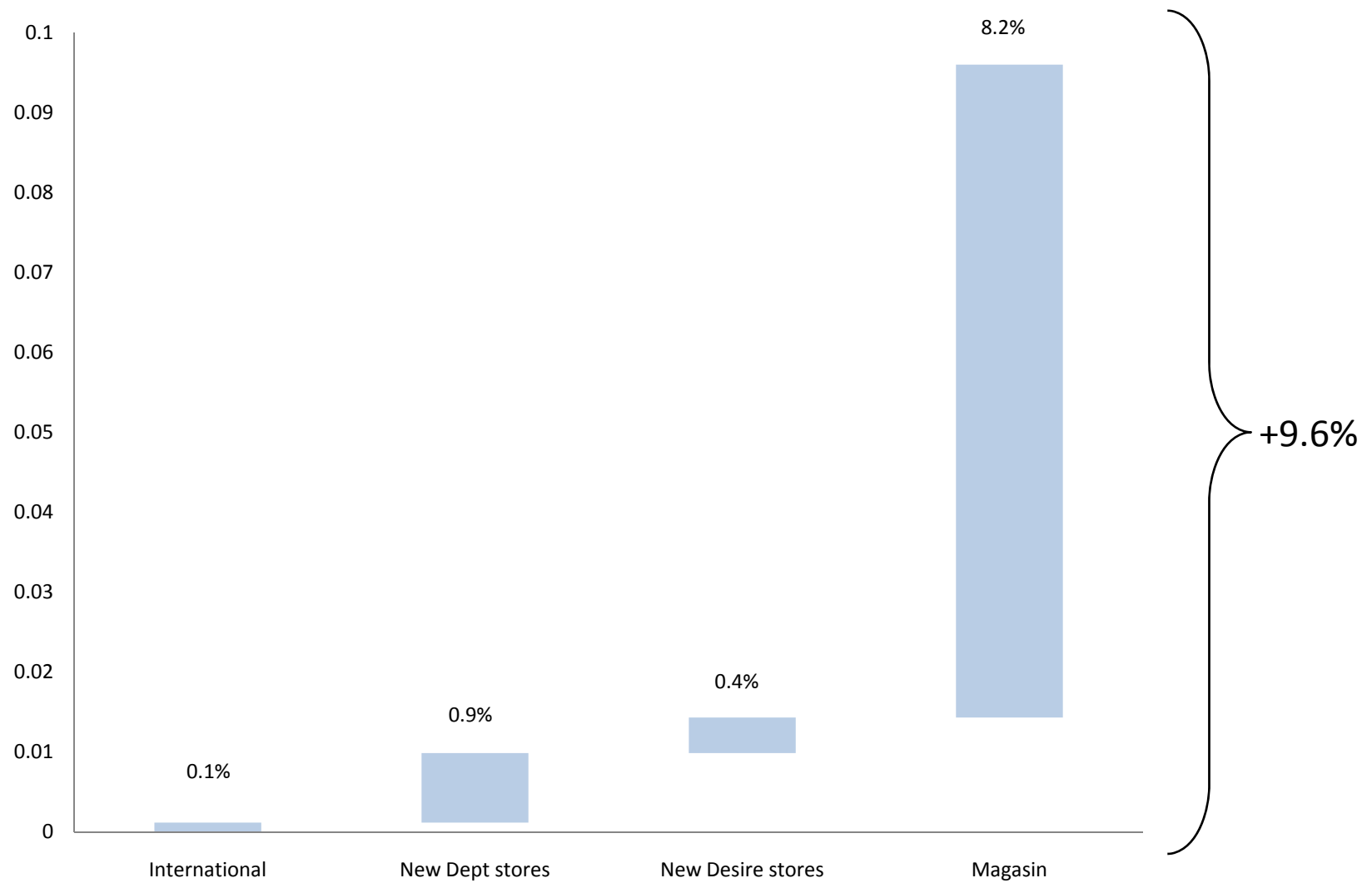
Magasin Operating Performance

£m	<u>FY10</u>	<u>FY09</u> <small>(pre acquisition)</small>
Gross transaction value	191.1	180.1
Gross margin	62.4	58.1
<i>Gross margin rate</i>	<i>32.7%</i>	<i>32.2%</i>
Costs	<u>(56.8)</u>	<u>(61.6)</u>
EBITDA	5.6	(3.5)
Depreciation ^(a)	<u>(4.1)</u>	<u>(5.8)</u>
Operating profit/(loss)	<u><u>1.5</u></u>	<u><u>(9.3)</u></u>

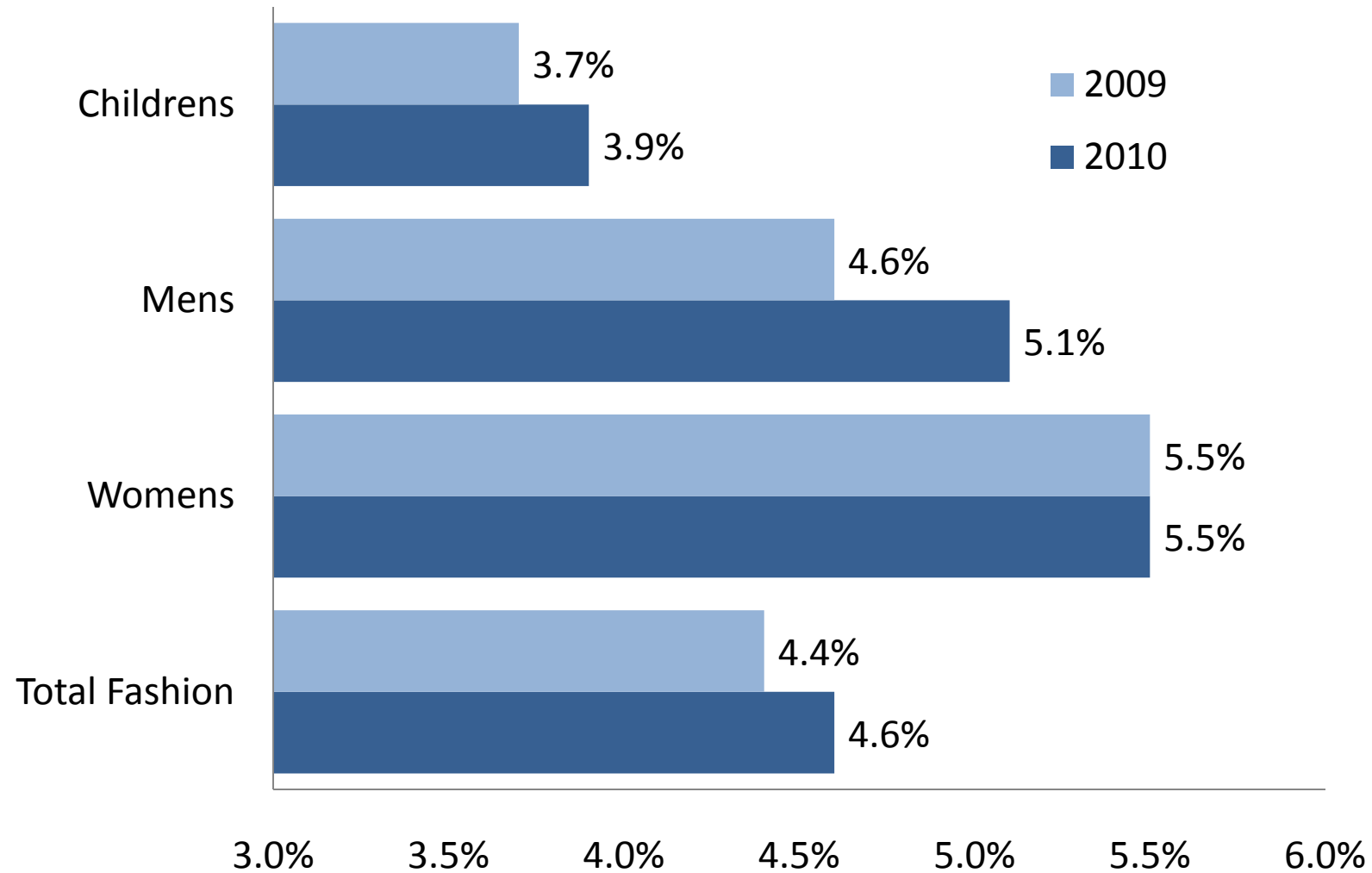
(a) Includes profit/loss on disposal of assets

Note: Both years reflect results from 7 November (42 weeks)

Sales Growth FY10



Market Share

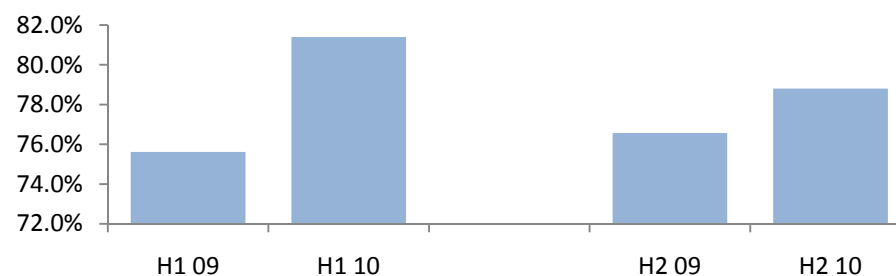


Source: Kantar Worldpanel Fashion 24 weeks market share data to 5 September 2010 vs. 2009

Margin Growth vs. Last Year

	FY10 v LY
	bps
Own bought margin	+110
Lower markdown	+20
Faith	+15
Margin rate	+15
	+160
Magasin impact	(90)
	70

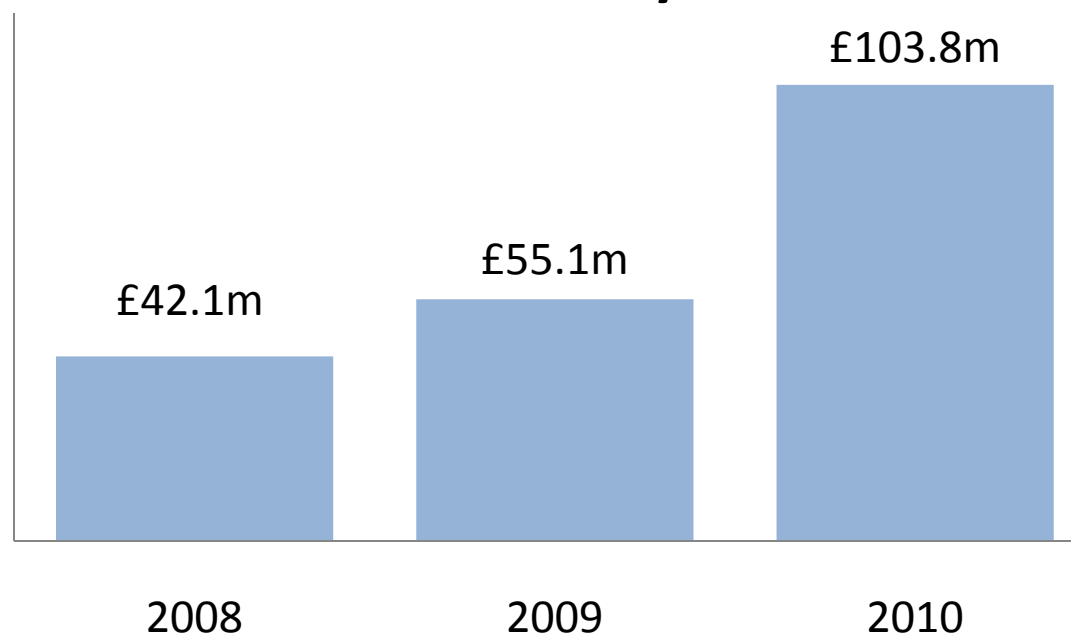
Change in own bought mix vs. LY (% pts)



Direct Highlights

Gross transaction value	£103.8m
Sales growth	+88.4%
EBITDA	+96.2%

GTV History

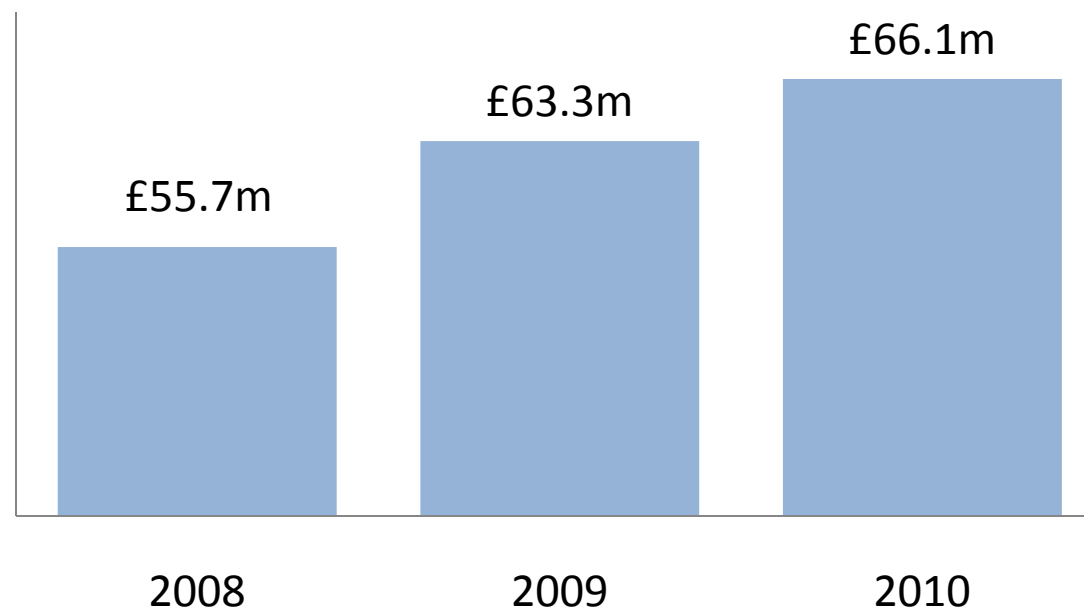


LFL	61%	31%	88%
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International Franchise Highlights

Gross transaction value	£66.1m
Sales growth	+4.4%
EBITDA	+8.9%

GTV History



Franchise stores	41	52	60
Countries	14	17	23

Store Costs

£m	FY10	FY10 (ex Magasin)	FY09
Payroll	<u>283.4</u>	<u>262.5</u>	<u>258.2</u>
<i>% to sales</i>	<i>11.1%</i>	<i>11.1%</i>	<i>11.0%</i>
Store rent <i>UK GAAP</i>	159.1	145.4	139.9
IFRS adjustment	<u>13.1</u>	<u>13.1</u>	<u>14.5</u>
Total store rent	<u>172.2</u>	<u>158.5</u>	<u>154.4</u>
<i>% to sales</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.6%</i>

Warehousing and Distribution

£m	FY10	FY10 (ex Magasin)	FY09
Labour	18.0	17.9	14.7
Property	12.1	12.1	12.3
Transport	25.0	24.4	18.3
Total distribution	55.1	54.4	45.3
<i>% to sales</i>	<i>2.1%</i>	<i>2.3%</i>	<i>1.9%</i>

Exceptional Items

Magasin Acquisition

	£m	£m
Net assets acquired	13.5	
Gross capital investment ^(a)	(9.5)	
Credit on acquisition		4.0

Republic of Ireland Restructuring

Redundancy cost		(9.4)
Total exceptional items		(5.4)
RoI annual payroll savings (1 year 10 months payback)	5.2	
H2 10 benefit	2.1	

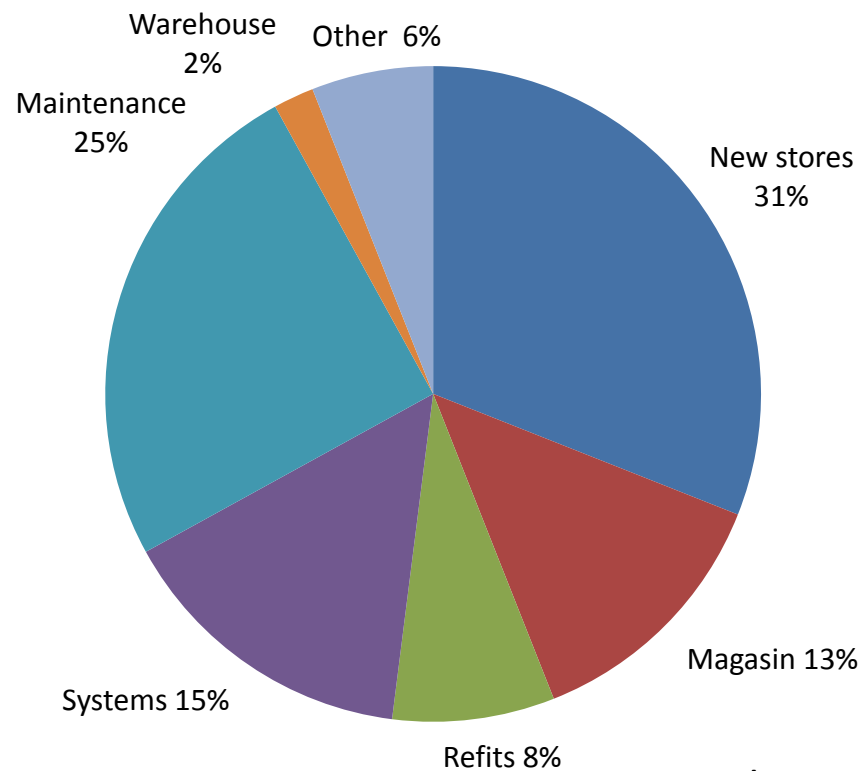
(a) Includes £1.8m of vendor funded restructuring costs and £1.0m of integration costs

Portfolio KPIs

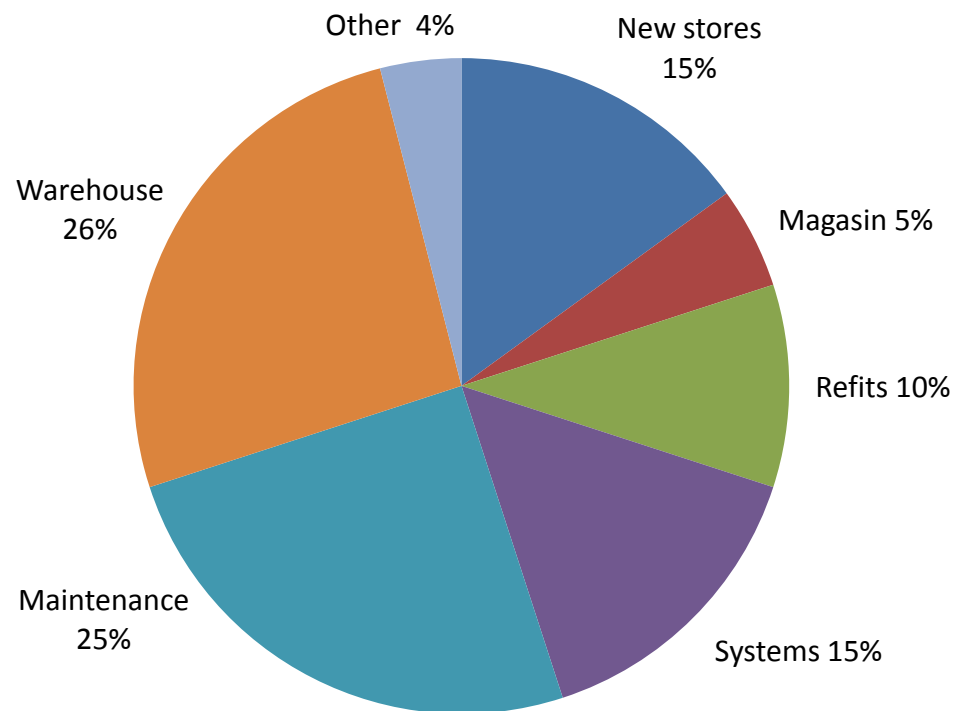
		Sq ft (k)	Dept Stores	Desire	Total
2009 Close		11,046	144	10	154
<u>Dept stores</u>	• Newcastle	128	1		1
	• Magasin du Nord	897	6		6
	• Carmarthen	59	1		1
	• Bury	71	1		1
<u>Desire stores</u>	• Monks Cross (York)	24		1	1
	• Witney	14		1	1
	• Kidderminster	22		1	1
<u>Closures</u>	• Ilkley	(5)			
	• Hereford	(6)			
2010 Close		12,250	153	13	166
<u>Dept stores</u>	• Bath	82	1		1
	• Wakefield	67	1		1
2011 Close		12,399	155	13	168

Capital Investment

**FY10
£99m**



**FY11 guidance
c£120m**



Warehouse data

- Rapid Internet growth requires additional capacity
- Online fulfilment to be taken in house
- Capital impact during 2010/11 £30m

Balance Sheet

£m	FY09	FY10	Lloyds Lease impact (a)	Revised position
Non-current assets	1,599	1,640	(46)	1,594
Stock	271	295		295
Other working capital	(390)	(421)	2	(419)
Net debt	(590)	(517)	58	(459)
Liabilities and charges	(465)	(494)		(494)
Shareholders' funds	425	503	14	517

(a) Based on 6 properties sold in September 2010

Stock

Headline increase **+9.0%**

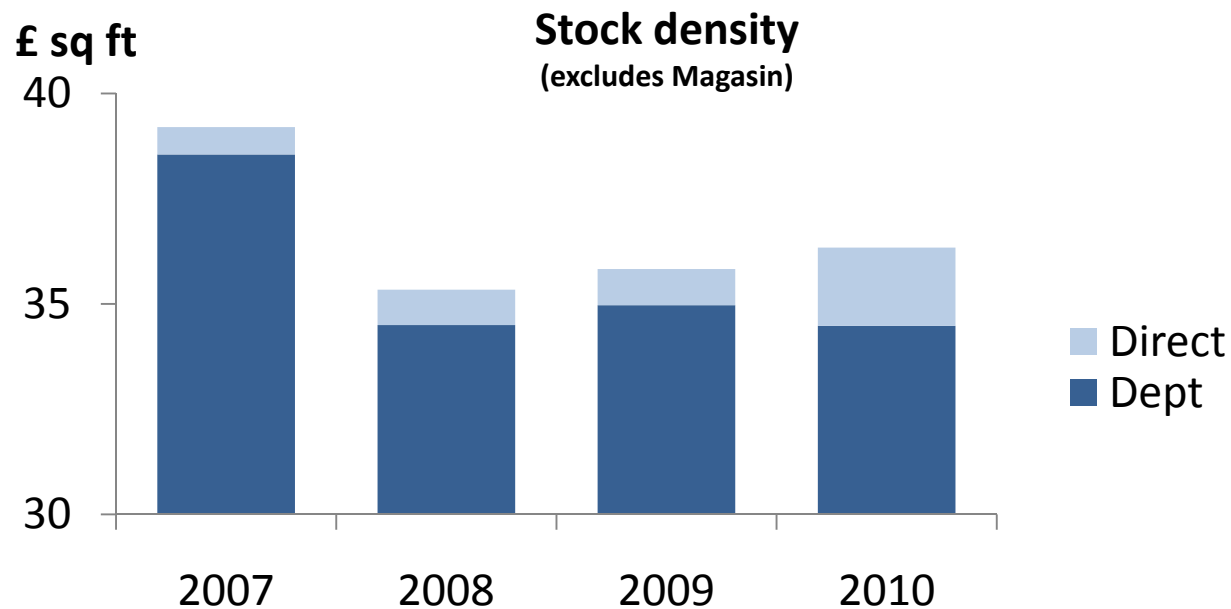
New stores 3.1%

Direct expansion 2.8%

Magasin 3.6%

Tighter stock control -0.5%

Terminal stock **2.6%**



Operating Cash Flow

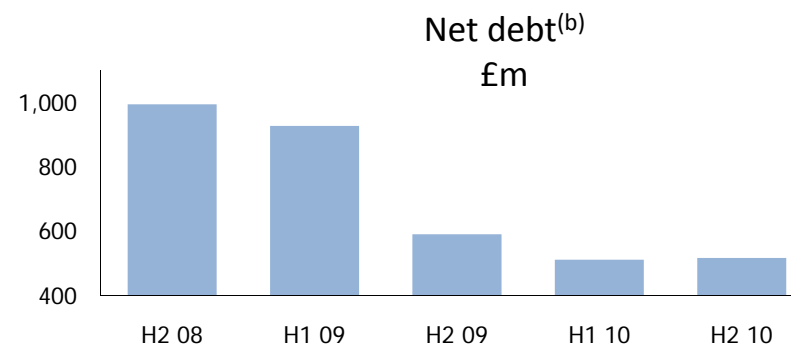
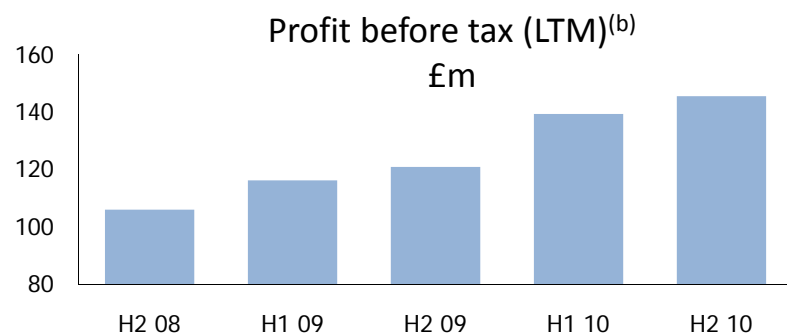
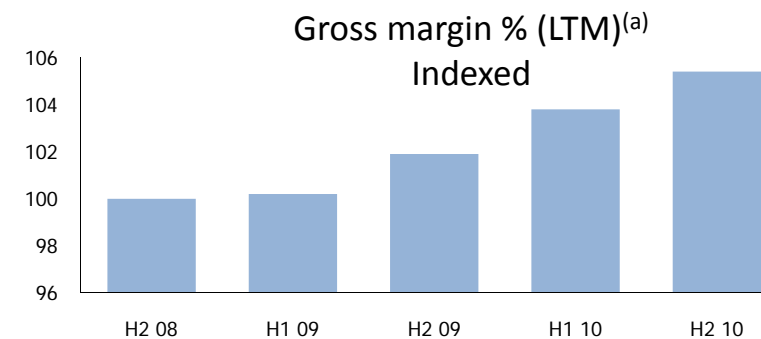
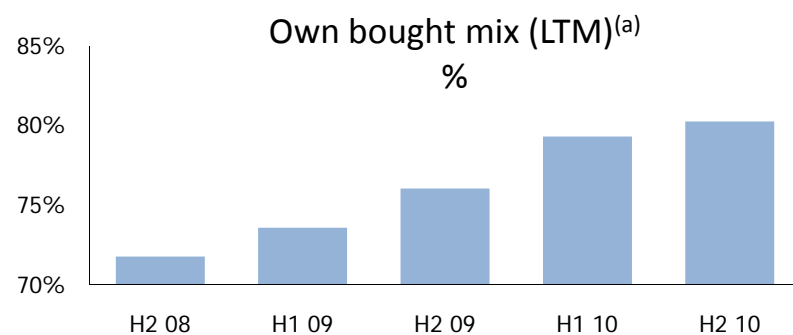
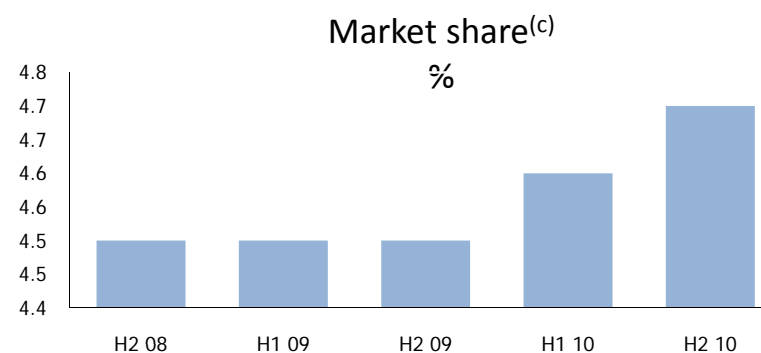
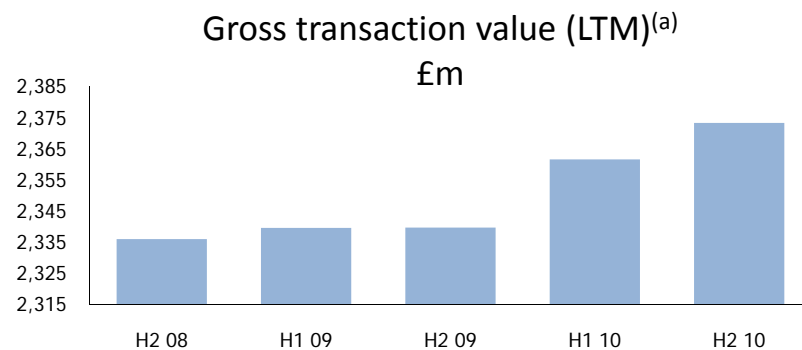
£m	FY10	FY09
Reported operating profit before exceptionals	195.1	182.2
Depreciation ^(a)	85.3	88.2
Amortisation	9.3	8.1
EBITDA before exceptionals	289.7	278.5
Working capital	21.2	(37.5)
Capital investment ^(b)	(98.6)	(84.5)
Operating cash flow before financing, interest, taxation and exceptionals ^(c)	212.3	156.5
Net debt	£517m	£590m

(a) Depreciation includes profit/loss on disposal of fixed assets

(b) Capital investment includes proceeds from sale of fixed assets and acquisition of Magasin

(c) Excludes ROI restructuring payments

Performance Track Record



(a) Excludes Magasin

(b) Includes Magasin

(c) 12 month average UK market share

Rob Templeman

Chief Executive

Overview of 2010 Performance

- Creditable results in a year of structural change
- Strong gross margin improvement
- Five consecutive halves of profit growth despite difficult market
- Good cash generation leading to further reduction in net debt
- Acquisition of Magasin du Nord

Strategic Highlights of FY10

Product strategy

- Good performance by own bought ranges
- New own bought ranges launched
- Designers at Debenhams portfolio extended
- Further progress in market share

Space expansion

- Six new UK stores opened, creating over 800 new jobs
- Acquisition of Denmark's leading department store chain Magasin du Nord
- Eleven new international franchise stores opened including six new markets
- Store refit programme accelerated

Multi-channel strategy

- Strong profitable growth in Debenhams Direct; sales up 88.4%, EBITDA up 96.2%
- Continuing to integrate online and instore activities including instore ordering and collect from store
- Mobile technology under development

Balance sheet

- Net debt reduced by £73.5m
- Strong cash generation
- Bank facilities refinanced

Looking Forward - Business Objectives

Gross margin

FY10
margin:
+70bps

- Supply chain
- Own bought sales mix
- Roll-out of recent launches
- New launches

Still opportunities for
gross margin expansion

Improving like-for-like market share

FY10 LFL:
flat

- Market share opportunities
- Store refits
- Multi-channel

Market share gains

Growth through expansion and investment

FY10 GTV:
up 9.6%

- UK/RoI space expansion
- International expansion
- International franchise stores

GTV expansion

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Michael Sharp
Deputy Chief Executive

Supply Chain: Industry Issues

Issues

- Commodity prices
- Freight costs
- Labour costs and availability
- Capacity constraints
- VAT
- Forex



Result

- Inflation beginning to impact pricing across high street: ASP +2.2%, volume -0.8%*

*Source: Kantar Worldpanel Fashion 52 weeks to 15 August 2010 vs 2009

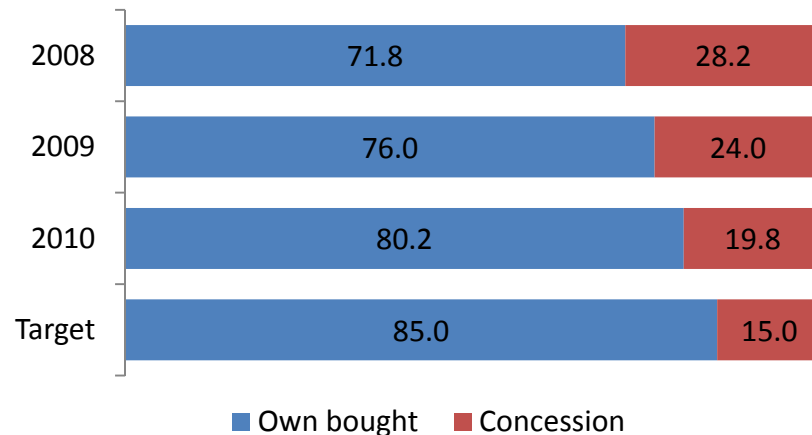
Mitigating Cost Pressure through Product Mix

Improving own bought margin

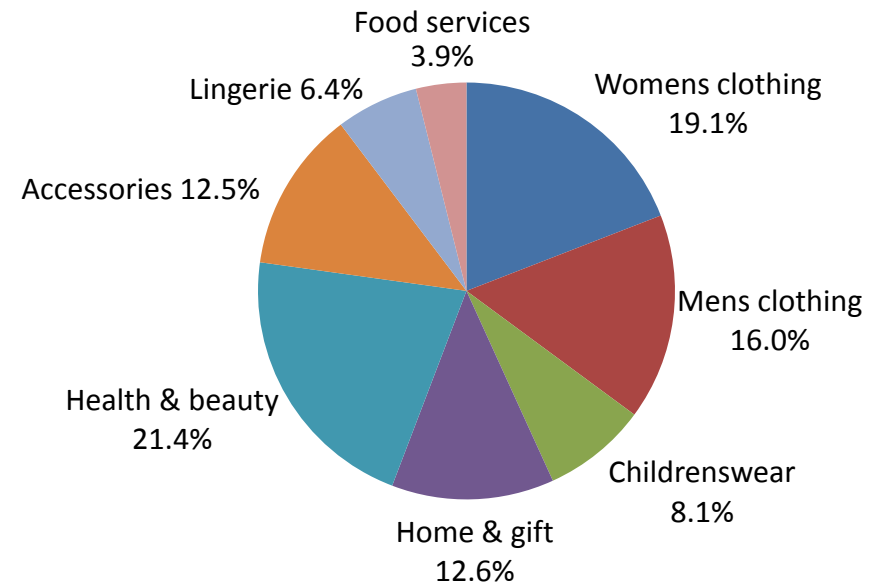
- +1% sales mix = +30bps gross margin

Play into higher margin categories

Own bought sales mix (%)



Own bought sales by category FY 10



- Does not require major space moves

Mitigating Cost Pressure through Supply Chain Strengths

Direct sourcing vs indirect sourcing

FOB vs landed

Geographic sourcing changes

Markdown management

- Tight stock control
- Open to buy management

FX hedging

- Competitive advantage or margin opportunity

Roll-out of Recent Own Buy Launches



Mantaray

40 more stores for AW10



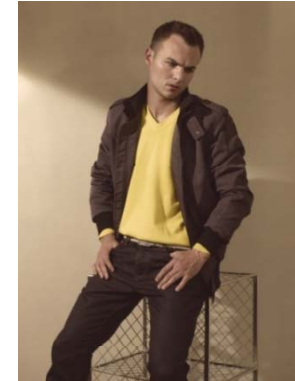
principles
BY BEN de LISI

39 more stores for AW10



B BY TED BAKER

12 more stores for AW11



F.F.P.

32 more stores for SS11



Ben de Lisi
BEN de LISI

50 more stores for AW10



butterfly
HOME by
MATTHEW WILLIAMSON

40 more stores for AW11



HOUSE & HOME
BY LISA STICKLEY

20 more stores for AW11

- Space for roll-out already allocated

New Designers at Debenhams: Edition



L to R: Jonathan Kelsey, Justin Thornton (Preen), Roksanda Ilincic, Thea Bregazzi (Preen), Jonathan Saunders

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GTV expansion

Market Share Opportunities: Examples

Women's Casualwear

Casualwear is 4x bigger than formalwear but Debenhams under indexes in casual

Opportunities:

- Increase space for true casual brands e.g. Mantaray, Maine, Casual Collection
- Increase mix of casualwear in other brands e.g. Betty Jackson Black
- New opening price points in all ranges for SS



Women's Footwear

Debenhams' footwear share much smaller than total women's share

Opportunities:

- 25-35 age group with Red Herring & Faith
- Everyday shoes and flat/mid heels through own bought brands
- Recover formal share with Good for the Sole and Debut
- Online



Rob Templeman

Chief Executive

Gaining Share through Store Refits: Strategy

Store	Type of refit
City centre heritage stores & market ownership stores	Flagship refit: <ul style="list-style-type: none">• New flooring• New lighting• New cosmetics hall including new house builds• New services including new food offer Average time store disrupted: 120 days Average cost: £25 sq ft
Other stores	Store upgrade: <ul style="list-style-type: none">• Improved space utilisation• Visual make-over Average time store disrupted: 90 days Average cost: £20 sq ft

Key

City centre heritage stores: large stores in major cities

Market ownership stores: Debenhams is the only department store in the city/town

Other stores: smaller stores which are neither new nor have been refurbished in past 5 years

Gaining Share through Store Refits: Programme

2010 refits

Stores completed	Glasgow (flagship refit) – completed end September 2010 Manchester (flagship refit) – completed end July 2010 Swindon (store upgrade) – completed end July 2010
Post-refit sales performance	High single digit improvement versus pre-refit period
OB mix	Average 2.5% increase in OB sales to date

2011 refits

Stores underway	Leeds City Centre (flagship refit) Merryhill (store upgrade) Milton Keynes (store upgrade) Portsmouth (flagship refit) Romford (flagship refit)
Second half	5 more starting April/May 2011

Store Refits: Manchester



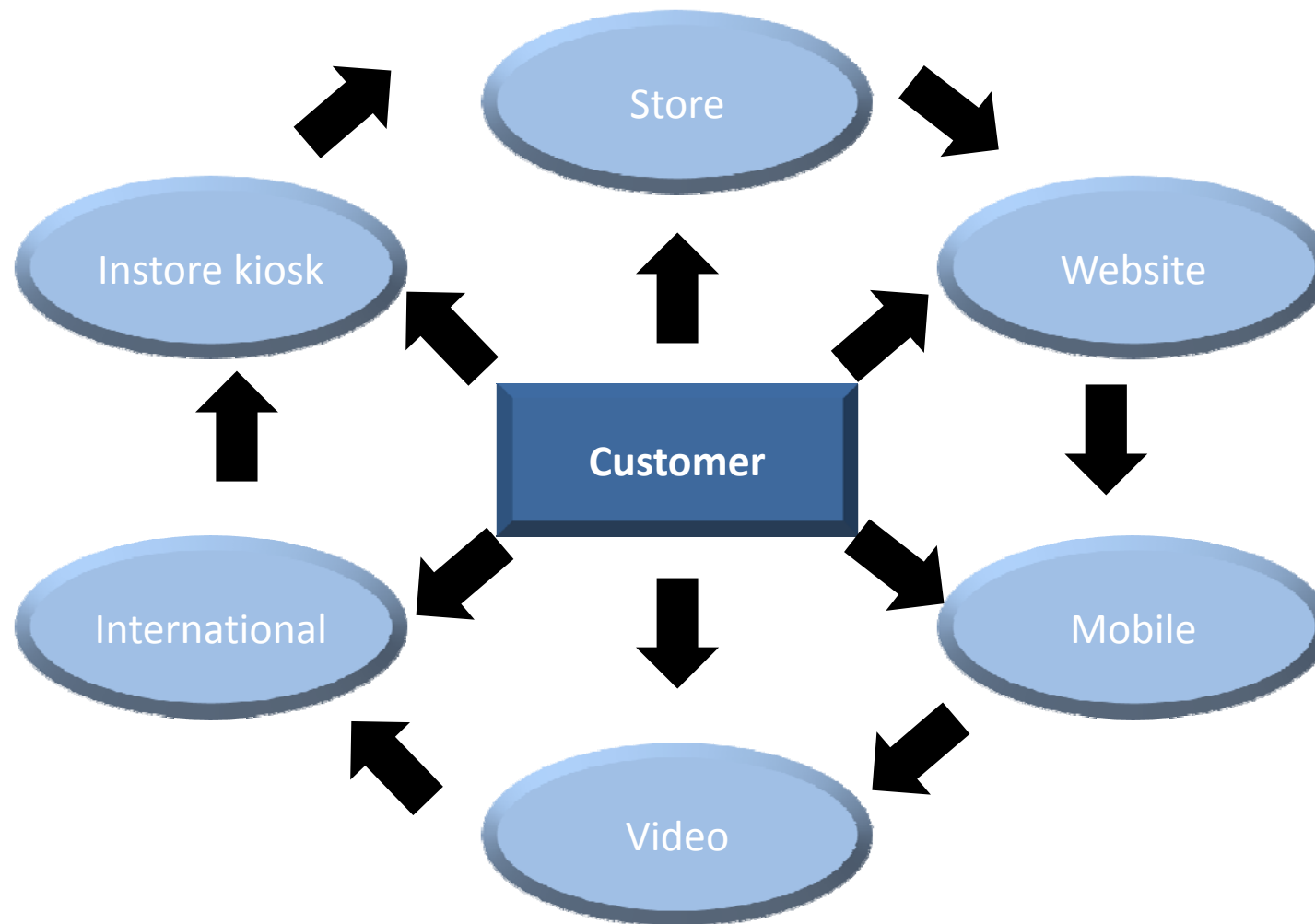
Store Refits: Manchester



Store Refits: Manchester



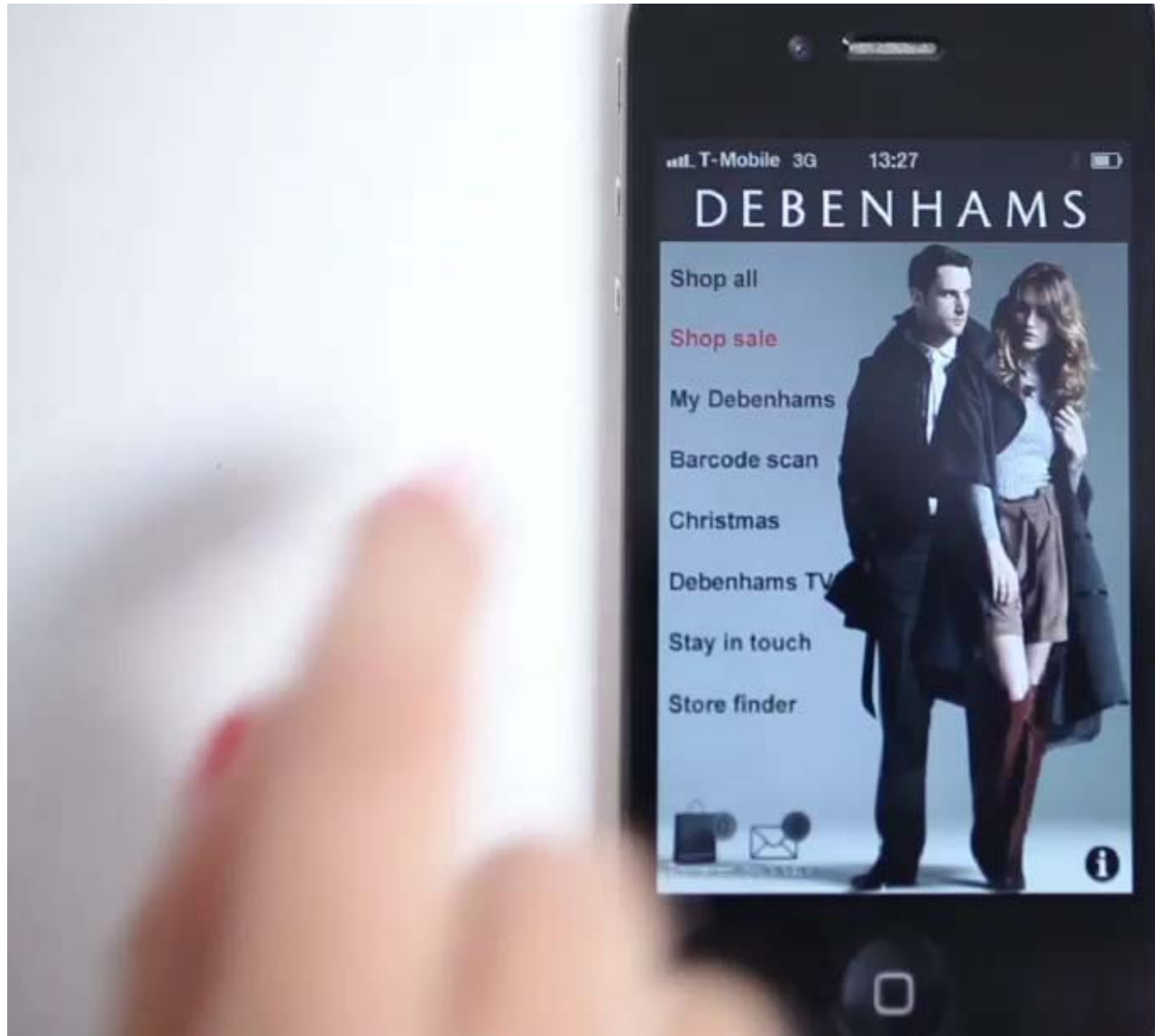
The Multi-Channel Model



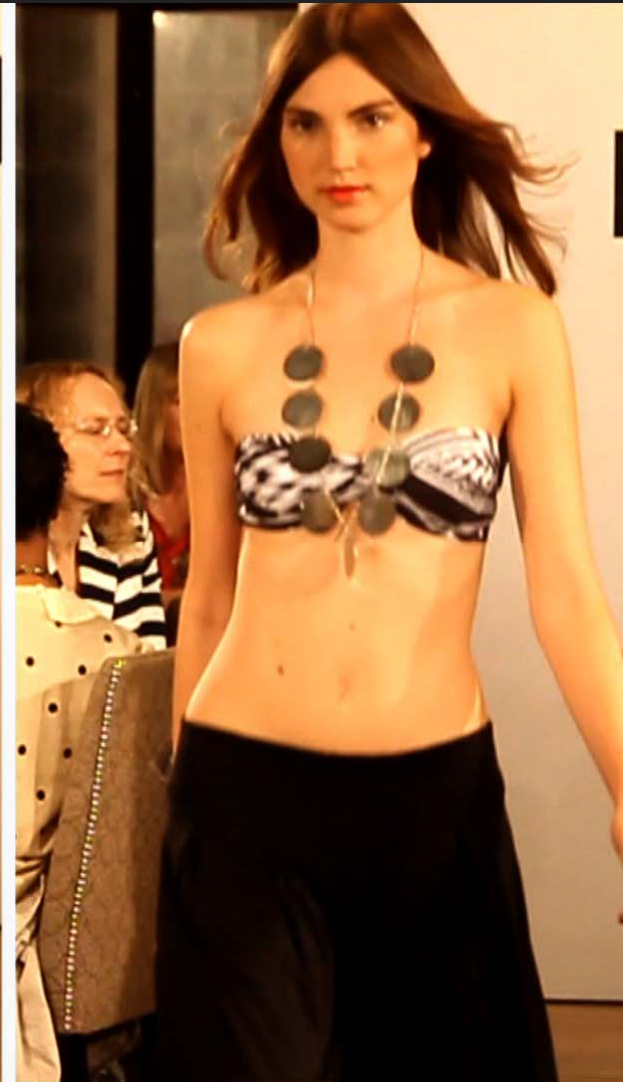
Increasing Multi-Channel Access Points

Instore ordering	<ul style="list-style-type: none">• Improving availability in all stores
Kiosks	<ul style="list-style-type: none">• Improving ranging of smaller stores through access to entire Debenhams product range
Collect from store	<ul style="list-style-type: none">• Launched March 2010
International	<ul style="list-style-type: none">• International delivery launched March 2010 to selected countries• Irish € site launching AW10• Local currency, multi-country site in Europe by 2011
Mobile	<ul style="list-style-type: none">• Debenhams mobile app launched October 2010
Debenhams TV (online video)	<ul style="list-style-type: none">• Launched October 2010• 80 videos in first year

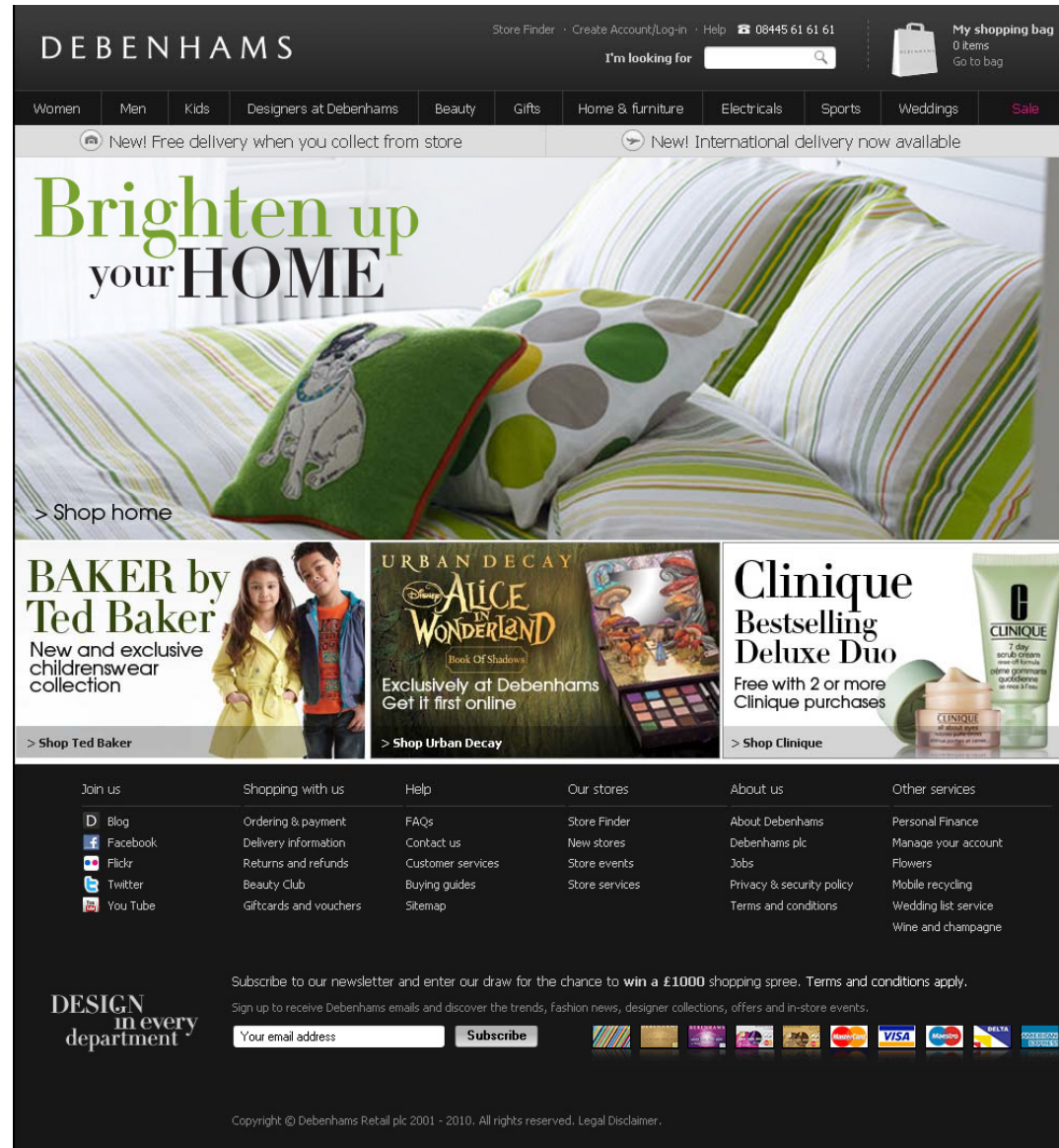
Debenhams iPhone App



Debenhams TV



More Dynamic Home Page



Rotating hero shot

Social networking

Improved Product Pages

Multiple
product
shots



Up-selling:
additional
product
ideas

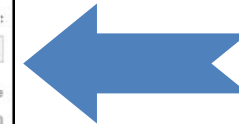


Cross-selling:
alternative
product
ideas



The screenshot shows the Debenhams website interface for a product page. At the top, the Debenhams logo is on the left, and navigation links like 'Store Finder', 'Create Account/Login', and 'Help' are on the right. A search bar is in the center. Below the navigation bar, there's a category breadcrumb: 'Home > Women > Dresses > satin and mesh little black dress'. The main product image shows a woman wearing a black dress. To the left of the main image are four smaller thumbnail images showing different views of the dress. To the right of the main image, the product name 'STAR by Julien Macdonald Satin and mesh little black dress' is displayed, along with the price '£65.00'. Below the product name, there's a description: 'With a mesh panel to the top the sheer look of this Star by Julien Macdonald dress is paired with the luxurious satin gloss of the body. Femininity is showcased through the sweetheart neckline and sparkling jewels to the neckline. An elegant party look.' There's a 'Select size:' dropdown menu with options: 8, 10, 12, 14, 16, 18, 20. Below the size selection, there's a 'Please select a size' message. To the right of the size selection, there's a 'Quantity' input field and an 'Add to Bag' button. Below the 'Add to Bag' button, there's a 'Womens sizing information' link and a 'What suits your body shape?' link. Below the 'Add to Bag' button, there's a 'Delivery' section with three options: 'Standard Delivery within 4 working days £3.99', 'International Delivery £7.00 to £14.00', and 'Deliver to store for collection (150 participating stores) Free'. Below the 'Delivery' section, there's a 'Product details' tab and a 'Returns Policy' tab. Below the 'Product details' tab, there's a description: 'This black dress from Star by Julien Macdonald features a sweet heart neckline with discrete side zip fastening, pearl and gemstone embellished mesh panel to top.' Below the description, there's a list of product details: 'Back length: 97cm/ 38"', '51% cotton, 46% polyester, 3% elastane', and 'Hand wash'. Below the 'Product details' section, there's a 'Customer Reviews' section. It shows an 'Overall' rating of 4 stars (4 out of 5) and an 'Average customer review rating' of 1. There's a 'Write a review' button. Below the 'Write a review' button, there's a review by 'smjamaica' dated '10/07/2010' with a rating of 4 stars. The review text is: 'bought this dress on tuesday stunning, sexy fab, the detail jewels at the neck are exquisite, also very slimming definitely recommend it, cant wait to wear it on a night on my hols'. Below the review, there's a message: '22 of 23 people found this review helpful.' At the bottom of the page, there's a red banner that says 'Can't FIND what you're LOOKING for?' and a call to action: 'Call 08445 61 61 61 and let us order it for you.'

Better
visibility of
availability



Customer
reviews



Multi-channel Marketing

Consistent messaging	Throughout all multi-channel access points, stores and customer communications
Search	Optimised site to improve Search visibility
Email marketing	Emails segmented and personalised to increase effectiveness Further data capture is a priority
Mobile	SMS marketing launched Sept 2010
Social media	Facebook, Twitter, Flickr, blogs
Price comparison sites	Success trial with Shopzilla

Looking Forward - Business Objectives

Gross margin

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Market share gains

Growth through expansion and investment

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up 9.6%

- UK/RoI space expansion
- International expansion
- International franchise stores

GTV expansion

Growth Through Expansion and Investment: UK and RoI New Stores

	Department stores	Desire stores
FY10 year-end portfolio	147	13
FY11 openings	2	-
Current potential opportunities	19	10
Optimised portfolio	230-240	90-100



Bath (opened Sept 2010)



Bury (opened July 2010)



Newcastle (opened Feb 2010)

Growth Through Expansion and Investment: International Strategy

*Our aim is to extend Debenhams' international reach
whether through organic growth or consolidation*

Market	Model
Emerging or distant markets	Franchise or JV model
Western European markets	Potential for owned/JV or franchise model
Brand exports	Designers at Debenhams
Multi-channel	International delivery Multi-currency transaction site

Growth Through Expansion and Investment: Magasin du Nord

Magasin: progress to date

FY10 results highlights	Sales up 6.1% EBITDA up £9.1m
Field's	Debenhams product now 45.9% of OB mix First 6 weeks of FY11: Sales up 22.6% Cash margin up 33.6%
All stores	Debenhams product now 8.4% of OB mix First 6 weeks of FY11: Sales up 14.8% Cash margin up 16.7%
Market share	Magasin is gaining share versus other stores in the centres where it operates



Growth Through Expansion and Investment: International Franchise Stores

- Key part of international strategy, especially for distant and emerging markets
- Continued to grow in FY10 despite difficult conditions in some markets
- FY10 market entry in Azerbaijan, Egypt, Kazakhstan, Malta and Vietnam
- Medium term target: 100 stores



Astana, Kazakhstan



Tehran, Iran



Baku, Azerbaijan

Outlook

- Macro
 - Consumer behaviour has been resilient to date
 - Expect disposable income to be affected by higher direct/indirect taxation
 - Need to be realistic about economic environment and consumer confidence until implications of spending review fully understood
 - Inflation in sector already coming through
- Believe we are well positioned to make progress through self-help measures

Summary

- Delivered five halves of profit growth: clearly strategy is working
- Self-help measures to:
 - Manage gross margin
 - Drive market share
 - Grow through expansion and investment
- Benefit of Magasin contribution and lower interest charge in FY11
- Positive LFL sales and gross margin in early weeks of new financial year
- Cautiously optimistic about prospects

Appendix

Cost Guidance

- Store payroll % to sell maintained
- Rent % to sell maintained
- Warehouse & distribution % to sell increases by 30 bp (this includes £10m dual running costs)
- Other costs 30 bps increase % sell
- Taxation headline rate 27%
- Interest 3% rate saving