

TO ALL KNOWN CREDITORS AND SHAREHOLDERS

9 April 2019

Ref: CG/SK/AJ/NR/MM

Direct Line: 020 3727 1135
Direct Email: debenhamsplc@fticonsulting.com

Dear Sir/Madam,

Debenhams plc (In Administration) ("the Company")
Company Number: 05448421

Simon Kirkhope, Andrew Johnson and I of FTI Consulting LLP ("FTI") were appointed as Joint Administrators (the "Joint Administrators") over the Company on 9 April 2019. Please note that we are authorised by the Institute of Chartered Accountants in England and Wales, to act as Insolvency Practitioners. The Joint Administrators have been appointed to the Company only, underlying Group operating companies are unaffected, and all businesses continue to trade as normal.

Purpose of this letter

The term "pre-packaged sale" refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of the administrators and the administrators effect the sale immediately on, or shortly after, appointment.

The purpose of this letter is to inform creditors of the Company, in accordance with Statement of Insolvency Practice 16 ("SIP16"), of the background in relation to a pre-packaged sale and to demonstrate to creditors that such a pre-packaged sale has been undertaken with due regard to the interests of creditors. We are also making this letter available to shareholders of the Company for full transparency.

On 9 April 2019, immediately following our appointment, we sold the Company's shares in Debenhams Group Holdings Limited, the top holding company for the Group's principal operating companies, and certain other dormant entities, together constituting the Company's entire interest in the Debenhams group companies ("the Group"), to Celine UK Newco 1 Limited ("Newco"), an entity owned by certain of the Company's secured lenders (the "Transaction"). These Group companies will continue to trade as normal.

The Transaction was entered into to enable statutory purpose (b), achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration). In our opinion, the Transaction was the best available outcome for the Company's creditors as a whole in all the circumstances.

The Transaction delivers continuity for all Group operations. It minimises business disruption and uncertainty for the businesses and their suppliers and protects the Group's employees and pension holders.

Background to the Administration

Prior to the administration, the Company's shares were listed on the main market of the London Stock Exchange plc. The Company's shares are expected to be delisted shortly following the administration.

The Company was the ultimate owner of the Group's subsidiaries. A corporate structure is shown at Appendix I.

The Group is a well-established department store business with a history dating back to 1778 and a high level of public awareness in the UK market. The Group has 166 UK stores and is the largest traditional department store chain in the United Kingdom. It also has a strong and growing online business. The Group also has an international presence primarily in Denmark, the Middle East and the Republic of Ireland.

In recent years, competition in the Group's core markets of fashion, home and beauty has significantly intensified, with challenges coming from online, specialty operators, supermarket groups and fast fashion businesses. As well as these competitive challenges, the Group has faced a number of wider market issues, with significant economic uncertainty in the UK, inflationary pressure from rises in minimum salary costs, business rates and higher input costs due to a weak pound.

The Group's trading performance had deteriorated over the previous two years, with flat sales and declining profits. This combined with concerns around the financial position of the Group (e.g. increased debt levels and significant property liabilities), the wider market pressures and adverse media, has resulted in both suppliers looking to reduce their exposure to the Group and in a reduction in credit insurance provision for suppliers, impacting the Group's liquidity. The Group's balance sheet and liquidity had become extremely stretched with increasing levels of debt and with significant lease liabilities.

In recent months, the trading environment has become significantly more challenging which has resulted in several profit warnings and heightened concerns over the Group's financial position. A combination of a marked reduction in market footfall, due to the shift in trading from stores to online, the scale and high occupancy costs of its store estate and the investments needed to meet the requirements of a modern retailing environment have put additional pressure on the Group's operations.

Additional funding and engagement with Sports Direct International

During the second half of 2018 the Company and the Group hired advisors to assess restructuring options for placing the Group on a sustainable footing. The Company and the Group also entered into discussions with its RCF lenders and an ad hoc group of its largest Noteholders (together "the Lenders") at the end of 2018 around the Lenders' willingness to provide new money facilities and support a wider restructuring.

In early December 2018, the Company's largest shareholder, Sports Direct International plc ("SDI"), approached the Company in relation to the perceived challenges the Group was facing. The Company received a number of financing and/or potential acquisition proposals from SDI between December 2018 and April 2019.

None of SDI's proposals were considered implementable by the Company in light of the wider liquidity and financing needs of the Group and contractual obligations in its financing arrangements. Given this, the Company continued with its discussions with the Lenders around new money provision and support for a restructuring, while in parallel continuing to engage with SDI on its potential participation in a transaction.

We additionally note that on 21 March 2019, a general meeting of the Company's shareholders was requisitioned by SDI under section 303 of the Companies Act 2006 (the "EGM"). The EGM has been requisitioned for the purpose of voting on resolutions seeking the removal of all the Company's directors except for Rachel Osborne, and the appointment of Michael Ashley as Chief Executive Officer of the Company. The last date for calling the EGM was 11 April 2019 and, at the time of the Joint Administrators' appointment, it has not yet been called.

New Money Facilities

During February/March 2019 the Group obtained additional funding from its Lenders.

Initially a £40m secured bridge loan (the “Bridge Loan”) was provided to the Company as borrower in February 2019, together with certain accommodations required by the Company and the Group in respect of its existing debt. A fixed and floating charge was taken by the Lenders over substantially all of the Company and the Group’s assets to secure the Bridge Loan. The £320m revolving credit facilities (“RCF”) and the £200m of notes (“the Notes”) remained unsecured.

On 29 March 2019 a £200m new money facilities agreement (the “New Money Facilities Agreement”) was entered into. This provided for an immediate drawdown by the Company of £101.25m under Facility A of the New Money Facilities Agreement, which refinanced the Bridge Loan, funded certain fees and provided additional working capital to the Group to address its immediate financing needs.

The New Money Facilities Agreement was secured through first ranking fixed and floating charges over substantially all of the Group’s assets, albeit the Company only provided security in relation to Facility A of the New Money Facilities Agreement. Certain other obligations, including the RCF and the Notes and £60m of the Group’s pension obligations were also secured through a combination of second and third ranking security by the Company’s largest subsidiaries (but not the Company) as a condition for the provision of the New Money Facilities Agreement. An intercreditor arrangement was put in place to govern arrangements between different layers of secured liabilities.

Facility B of the New Money Facilities Agreement, amounting to £98.75m, was to be made available to Debenhams Retail Limited (“Retail”). However, its utilisation was subject to certain conditions. These conditions allowed Retail the ability to utilise Facility B only in circumstances in which:

- (i) SDI announced a firm intention to make an offer for the Group and made arrangements satisfactory to the Lenders for the financing of the Group’s working capital requirements and the repayment of any amounts drawn under Facility A of the New Money Facilities Agreement, the RCF and the Notes, which would become due and payable as a result of the change of control provisions that would be triggered by such offer; or
- (ii) SDI withdrew its request for an EGM, entered into a stabilisation agreement satisfactory to the Lenders and agreed to either underwrite a £200m rights issue by the Company or provide a £200m long dated subordinated debt instrument.

The relevant conditions were not met and accordingly, Retail was unable to draw upon Facility B on that basis. An alternative condition provided, however, that Retail could utilise Facility B if the Group were to be owned by a newly incorporated vehicle acceptable to the majority of the Lenders under the New Money Facilities Agreement. In this scenario, the rest of the Group would have access to liquidity but not the Company.

In the circumstances and following a request from the Facility Agent under the New Money Facilities Agreement to confirm whether or not it was insolvent, on 9 April 2019 the Company’s board concluded that the Company was insolvent and that losses to creditors would be minimised by facilitating the Transaction in order to protect the rest of the Group’s access to liquidity and therefore the Company’s creditors. Upon the Company’s admission of insolvency and the Company’s invitation to the secured lenders to appoint the Joint Administrators, the lenders under the New Money Facilities Agreement took steps to place the Company into administration.

Purpose of the Administration

The purpose of an administration is to achieve one of the following statutory objectives (in order):

- (a) rescuing the company as a going concern; or

- (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

Given the situation, in particular the quantum of the Group's debt and its funding requirements, we concluded that it was not possible to rescue the Company as going concern. As a result, it was decided that statutory objective (b) should be pursued.

Having considered all options, we concluded that the Transaction, as described below, would most likely achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

Transaction

Immediately following our appointment as Joint Administrators, we sold all of the Company's interests in its subsidiaries to Newco, a company owned by the Company's secured lenders. The Transaction price was £101.81m, although the Group companies sold were also guarantors of the RCF and the Notes. As such, the Transaction was a sale subject to £520m of financial debt and the Group's pension obligations and therefore equivalent to a sale price of £621.81m of financial debt (before taking account of cash balances) and all of the Group's pension obligations (which hold £60m of security).

BDO LLP ("BDO") undertook an independent review of the Group's enterprise valuation, further described in point 9 of Appendix II, which concluded that the enterprise value of the Group was in the range of £371m to £427m. This is significantly lower than the amount of financial debt and pension obligations of the Group which Newco is subject to through the Transaction.

We concluded that the Transaction was in the best interests of the Company's creditors and the value maximising option in the circumstances, as:

- all or substantially all of the creditors of the Company also have guarantee claims against the Group, thus preservation of the Group is in their best interests (and in the best interests of the Company in terms of reducing the ultimate deficiency at the Company);
- it provides the Group with ongoing access to additional liquidity, which was not available absent the Transaction (including £99m under a Newco Facility which replaces Facility B of the New Money facility);
- it minimised business disruption and ensured continuity for the business and its suppliers and protected the Group's employees (including the beneficiaries of the Group's pension schemes);
- there was no realistic scope/time for a robust marketing process prior to the Transaction given, amongst other things, the request by SDI for an EGM and the Group's liquidity constraints (for more details, please see point 3 of Appendix II);
- as noted above, independent valuation analysis was obtained and reviewed. Based on the valuation there is a significant shortfall for the Company's creditors and no value to distribute to its shareholders; and
- Although shortly before the Company's administration SDI made certain proposals, referred to in its announcement(s), these involved a number of conditions and significant concessions by the Lenders. The Company and the Lenders concluded that the proposals did not satisfy the milestones in the New Money Facilities agreement.

However, despite the independent valuation analysis and our view that there is a very low likelihood of a distribution to the Company's shareholders, the Transaction included provisions to ensure that the Group is immediately marketed for sale. This will determine for the Company's benefit whether, against expectations, there is a bidder, with the benefit of a marketing process run on a stabilised platform, that would buy the business for a price that would repay the financial debt and secured pension liabilities in full and thus potentially yield a return for shareholders.

At this stage, we would expect that any surplus flowing to the Company from a sale which repays all debt would flow largely to shareholders, although there would need to be a liquidation process of the Company to advertise for any creditor claims which, if they materialised, would rank ahead of shareholders.

Further details of the Transaction, its rationale and safeguards, are included in Appendix II

Consultation with the Company's creditors

The Company's creditors comprise:

- £101.25m New Money Facilities Agreement, also guaranteed by the Company's largest subsidiaries;
- £320m RCF lenders also guaranteed by the Company's largest subsidiaries;
- £200m Notes also guaranteed by the Company's largest subsidiaries;
- over £600m of intercompany payables owed to the Company's subsidiaries; and
- potential creditors in relation to the Company's obligations for certain commercial contracts (e.g. leases).

Based on the Company's records, a significant majority in value of the Company's external creditors also have claims against the Group. Preservation of the Group is therefore in their best interests (and in the best interests of the Company in terms of reducing the ultimate deficiency at the Company).

We consulted extensively with the lenders under the New Money Facilities Agreement, the RCF lenders and the advisors to an ad-hoc group of the largest Noteholders. The Lenders were supportive of the Transaction, which is evident since their consent was needed in order to implement it.

Company-only creditors appear mainly limited to intercompany payables. Those Group company counterparties benefited from the Transaction, as it enabled Facility B of the Newco Facility to be provided, enabling them to continue to trade as going concerns.

We are therefore of the view that we have not only consulted extensively with the Company's largest creditors, but that they are supportive of the Transaction.

Proposals

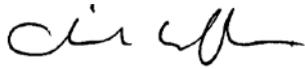
In accordance with paragraph 49(5) of Schedule B1 to the Act, we are currently formulating our proposals which will be sent to creditors in due course. This report will be made available to all creditors within eight weeks of the Administration and will give an indication of likely dividend prospects. In this case it is likely that we will use the full eight weeks, since we consider that it is appropriate to report on the marketing process in our proposals, since the outcome of this process will determine whether there is a prospect of a surplus from a sale being remitted to the Company. The proposals (and other documents related to the administration) will be made available at: <http://www.fticonsulting-emea.com/cip/debenhams-plc>.

Ethics

As insolvency practitioners we are bound by the Insolvency Code of Ethics and guided by Statement of Insolvency Practice 1 (SIP 1). Prior to our appointment we considered potential ethical threats in undertaking the administration in accordance with the Code, and we did not consider that there were any matters preventing us taking this appointment.

Should you have any queries in respect of the above please contact this office using the details provided.

Yours faithfully
For and on behalf of the Debenhams plc (In Administration)

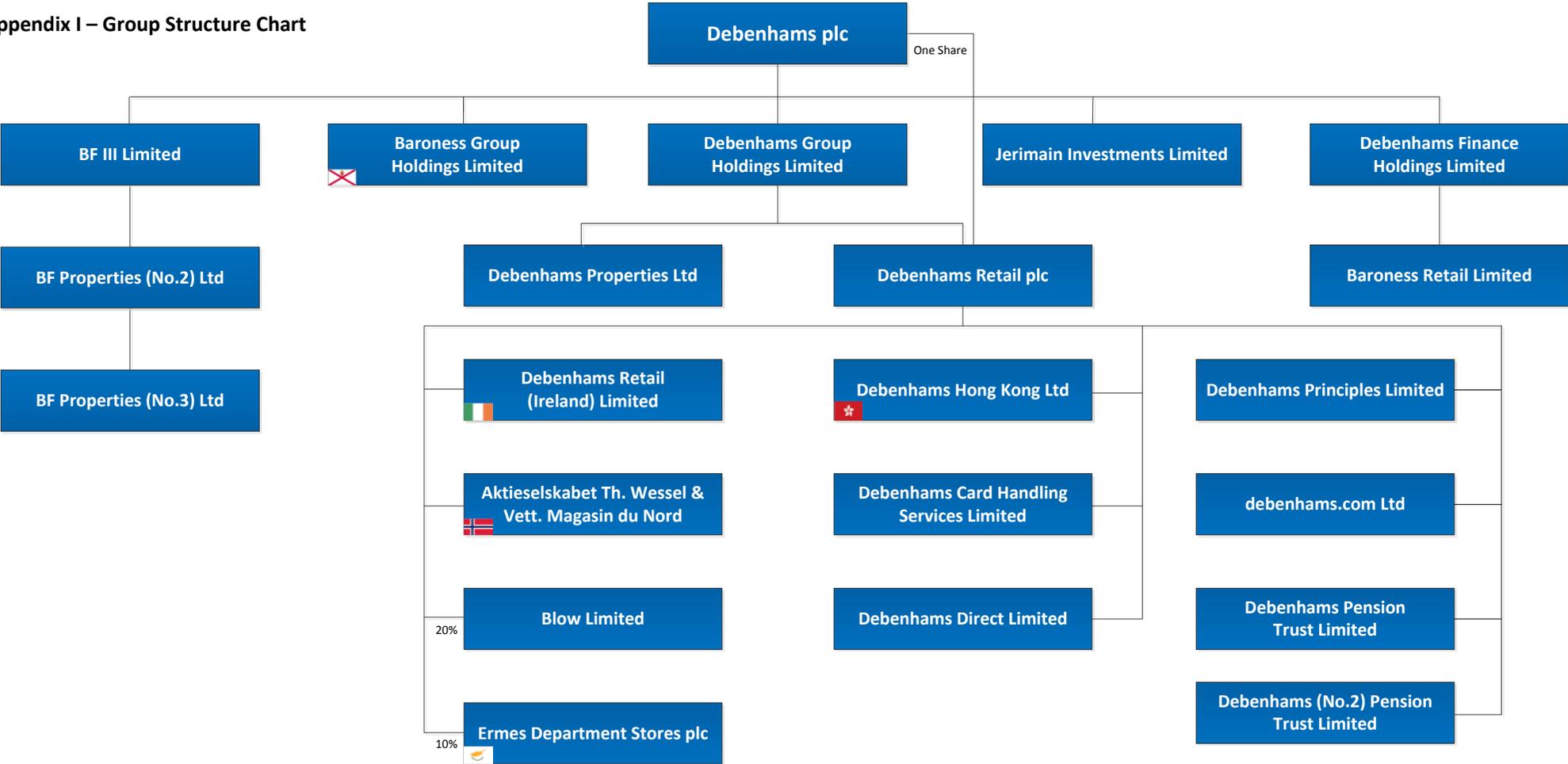
A handwritten signature in black ink, appearing to read 'C. Griffin', written in a cursive style.

Chad Griffin
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability.

Chad Griffin, Simon Kirkhope & Andrew Johnson are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under section 390(2)(a) of the Insolvency Act 1986.

Appendix I – Group Structure Chart



Appendix II

Information Disclosure as required by the Statement of Insolvency Practice 16 (“SIP16”)

Debenhams Plc (in administration)

This appendix sets out the matters as required by SIP16

Initial introductions and pre-appointment matters

<p>1. The source of the Joint Administrators’ initial introduction</p>	<p>FTI was initially introduced to the Company by its RCF lenders.</p> <p>This followed a request from the Company to the RCF lenders to appoint a financial advisor in anticipation of discussions around a potential financial and operational restructuring.</p>
<p>2. The extent of the Joint Administrators’ involvement prior to the appointment</p>	<p>FTI was retained by the RCF lenders to undertake common information platform diligence services. This work was also provided to certain noteholders and to Debenhams Pension Trust Limited and Debenhams (No 2) Pension Trust Limited (these are limited entities within the Group structure where the scheme trustees act as Directors) who acceded to the terms of the engagement letter.</p> <p>FTI was also retained by the RCF lenders to act as financial advisor in connection with a potential restructuring.</p> <p>Details of the scopes of both engagement letters are set out below.</p> <p>FTI Common Platform engagement letter, dated 8 February 2019:</p> <ul style="list-style-type: none">• Review of the Group’s liquidity and short-term cash flow forecast• Review of the historical financial performance and business plan• Review of the Group’s capital structure and Entity Priority Model (“EPM”) <p>FTI Financial Advisory engagement letter, dated 8 February 2019:</p> <ul style="list-style-type: none">• Advise the RCF lenders on the terms and implications of any Group proposed restructuring• Assess the alternative restructuring options and scenarios for the Group and the RCF• Support the RCF lenders in the negotiation of any restructuring with the Group and other creditor groups• Co-ordinate communications and information flow between the Group and RCF lenders• Provide other advice to the RCF lenders as may be

	<p>required</p> <p>The Joint Administrators have given consideration to whether these engagements would lead to a potential conflict of interest and concluded that the engagements would not present a conflict of interest.</p> <p>The common information platform work product was made available to a significant majority of the Group's financial creditors. The financial advisory role was for the RCF lenders, who rank pari passu and whose interests are closely aligned with the Noteholders.</p> <p>Furthermore, acting for significant creditors is not viewed as a conflict in situations where, based on the valuation analysis carried out, there is likely to be a shortfall to the Company's creditors.</p> <p>Neither the Joint Administrators, nor FTI, advised the purchaser on the Transaction. The Joint Administrators retained independent counsel and Newco was represented by separate counsel in negotiations over the terms of the Transaction.</p>
<p>3. Alternative course(s) of action considered by the Joint Administrators and the possible financial outcome(s) of the alternative course(s) of action</p>	<p>Alternative options to the Transaction included:</p> <ul style="list-style-type: none"> A. Seeking to rescue the Company as a going concern; or B. marketing the Company's interests following the appointment of administrators over the Company and before a sale; or C. a pre-packaged sale following marketing carried out prior to the Company's administration; or D. liquidation as opposed to administration. <p>A. <u>Seeking to rescue the Company as a going concern</u></p> <p>The administration of the Company meant that amongst other things:</p> <ul style="list-style-type: none"> • The Group did not have access to Facility B • The New Money Facility Agreement and RCF would be in breach following the Company's administration and capable of being demanded against Group companies • The Notes would be in breach absent a sale to a Lender approved entity • Increased operational pressures in the Group's operating companies. For example, the likelihood that Group suppliers may have sought to reduce exposure to the Group • A likelihood of increased liquidity needs in the Group • Without access to Facility B and absent forbearance,

	<p>potential solvency issues in the Group's operating companies.</p> <p>Furthermore, we note certain proposals were made by SDI including a proposal made on 5 April 2019, referred to in the SDI announcement issued on 8 April 2019. However, the proposals involved a number of conditions and significant concessions by the Lenders.</p> <p>The Company and the Lenders concluded that the proposals did not satisfy the milestones in the New Money Facilities Agreement.</p> <p>Accordingly, we did not view a hiatus ahead of the Transaction in order to pursue a rescue of the Company as a viable option or an option that would be in the Company's creditors' interests.</p> <p>B. <u>Marketing following a Company Administration</u></p> <p>In our view this was not a viable option and, even if it were, it would not yield a superior return to the Company.</p> <p>For the reasons stated above a hiatus between the Company's administration and the sale of the Group would, in our view, have been detrimental to the value of the Group and the Company's creditors.</p> <p>The Transaction was required in order to gain access to additional liquidity via the Newco Facility.</p> <p>Lenders took this position given their concern that a prolonged period of uncertainty following a Company administration would be damaging for the Group and may increase further the amount of funding required for the Group to continue as a going concern. These concerns were echoed by the Group's management.</p> <p>In our view, based on the independent valuation analysis obtained and reviewed, we think there is a very low likelihood of a distribution to the Company's shareholders. However, the Transaction included provisions to ensure that the Group is immediately marketed for sale (see below).</p> <p>We consider that this marketing process will be a superior option to running the marketing during a Company trading administration. It will be more conducive to maximising value since it will be undertaken in a more stable environment, with the Group benefiting from adequate funding during the process.</p> <p>C. <u>Pre-packaged sale following prior marketing</u></p> <p>There has not been a marketing process in respect of the Group at this stage. There was a marketing process in the second half of 2018 in respect of Magasin Du Nord, the Group's Danish business. However, this ended</p>
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	<p>unsuccessfully.</p> <p>A marketing process was considered unworkable by the Group prior to the administration. In our view, even if feasible it would have been inferior to a marketing process from a more stable position following the Transaction.</p> <p>The requisitioning of an EGM to change substantially all of the board was significantly destabilising and the EGM timetable and conditionality incorporated into the New Money Facilities Agreement did not allow a reasonable period of time for a robust marketing exercise.</p> <p>Preparation for a marketing process was needed and taking into account the Group's liquidity needs, and the milestones in the New Money Facility Agreement there, would not have been time for a satisfactory marketing process.</p> <p>A further complexity is the interaction of the marketing process with the Group's planned operational restructuring. The Group has concluded that it needs a restructuring of its store portfolio and it is anticipated that this process will be formally launched imminently. If successful, this operational restructuring would improve the Group's future cash flows.</p> <p>In our view it is important that interested parties are aware of this restructuring so that they can reflect it in their assessment of value. The design of the restructuring has been subject to change, which would have been a major impediment for any prior marketing process, even if enough time had been available.</p> <p>Furthermore, there had been several incidents of leaks in connection with the Company and the Group's restructuring plans and there was a real concern over further potential destabilisation from third parties reviewing a restructuring which was still subject to change and highly sensitive.</p> <p><u>D. Liquidation as opposed to Administration</u></p> <p>The following reasons were considered as the basis for not placing the Company into liquidation:</p> <ul style="list-style-type: none"> • the ability to achieve the purposes of the administration; • the additional time that would be required to place the Company into liquidation, causing further instability and the potential for a further reduction in value in the Group, particularly taking into account the urgent need for additional liquidity provided by Tranche B of the New Money Facility; and • the potential that the Company's members may vote against the resolutions to wind up the Company and to appoint a liquidator. <p>For the reasons set out above, administration was preferred</p>
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	over liquidation.
4. Whether efforts were made to consult with major creditors	<p>The Company's creditors include:</p> <ul style="list-style-type: none"> • lenders under the £101.25m New Money Facilities Agreement, also guaranteed by the Company's largest subsidiaries; • lenders under the £320m RCF, also guaranteed by the Company's largest subsidiaries; • noteholders of the £200m Notes, also guaranteed by the Company's largest subsidiaries; • over £600m of intercompany payables; and • potential creditors in relation to the Company's obligations for certain commercial contracts e.g. leases. <p>Based on the Company's records, a significant majority by value of the Company's external creditors also have claims against other companies in the Group. Preservation of the Group is therefore in their best interests (and in the best interests of the Company in terms of reducing / potentially even eliminating the ultimate deficiency at the Company).</p> <p>We consulted extensively with the lenders under the New Money Facilities Agreement and the RCF and the advisors to an ad-hoc group of the largest Noteholders. The Lenders were supportive of the Transaction, which is evident since their consent was needed in order to implement it.</p> <p>Company-only creditors appeared largely limited to intercompany payables. Those Group company counterparties benefited from the Transaction, as it enabled Facility B of the New Money Facilities Agreement to be provided, enabling them to continue to trade as going concerns.</p> <p>We are therefore of the view that we have not only consulted extensively with the Company's largest creditors but that they are supportive of the Transaction.</p>
5. Details of requests made to potential funders to fund working capital requirements	<p>As mentioned above, both forbearance / waivers from the Lenders and access to further liquidity facilities was needed for the Group to continue to trade as a going concern.</p> <p>All of the Company's assets were pledged in favour of the Lenders under the New Money Facilities Agreement. Therefore, the administrators did not consider that other funding could be raised, unless subordinated.</p> <p>Pre-appointment discussions were held between the Company and SDI, including the Company encouraging SDI to consider a subordinated debt structure for an SDI investment</p>

	<p>into the Company. Although certain proposals were received from SDI, including a proposal on 5 April 2019, referred to in the SDI announcement issued on 8 April 2019, the proposals involved a number of conditions and significant concessions by its Lenders, and was not supported by them. The Company and its Lenders concluded that the proposals did not satisfy the milestones in the New Money Facilities Agreement.</p> <p>As set out above, we did not view a hiatus ahead of the Transaction in order to pursue a rescue of the Company as a viable option or an option that would be in the Company's creditors' interests.</p> <p>In relation to funding from the Lenders, Facility B of the New Money Facility Agreement was only available to the Group following the Transaction.</p> <p>In conclusion, the administrators did not consider that funding of working capital requirements was available to the Group, absent the Transaction. Therefore, it was considered to be in the best interests of the creditors of both the Company, and also the Group, to enter into the Transaction.</p>
<p>6. Charges registered against the Company, including the date these were created</p>	<p>A fixed and floating charge was provided by the Company to the lenders under the Bridge Loan on 11 February 2019.</p> <p>The funding under the Bridge Loan enabled the Group to benefit from additional time to develop the overall restructuring and assess the Group's associated medium-term funding need and develop a sustainable financing structure.</p> <p>On 29 March 2019, the Bridge Loan was refinanced from the proceeds of Facility A of the New Money Facilities Agreement.</p> <p>A new fixed and floating charge was taken in favour of the Lenders under the New Money Facilities Agreement, albeit the Company only provided security in relation to Facility A of the New Money Facilities Agreement.</p> <p>Certain other obligations, including the RCF and the Notes were also secured by the Company's largest subsidiaries as a condition for the provision for the New Money Facilities Agreement.</p> <p>An intercreditor arrangement was put in place to govern arrangements between different layers of secured liabilities.</p>
<p>7. Details of any transactions involving the acquisition of the business or business assets from an insolvency process within the previous 24 months and whether the</p>	<p>N/A</p>

Joint Administrators were involved	
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Marketing and valuation of the business and assets

<p>8. Marketing activities conducted:</p>	<p>As stated above, despite the independent valuation analysis and our view that there is a very low likelihood of a distribution to the Company’s shareholders, the Transaction included provisions to ensure that the Group is immediately marketed for sale.</p> <p>Lazard & Co Limited (“Lazard”) has been instructed to undertake the marketing process. Lazard is a leading investment bank and is very familiar with the Group and the consumer and retail sector in which it operates.</p> <p>All marketing process planning has been undertaken and the process will be formally launched immediately. In the view of the Joint Administrators, the process will target all likely buyers and it will also be publicised to ensure as wide an audience as possible.</p> <p>As the Company’s Joint Administrators, we will review all marketing process materials and be provided with full visibility on bids and interested party feedback.</p> <p>In our view, the proposed marketing process will be appropriate in the circumstances for maximising value to the Company. It has been designed with input from experienced retail M&A specialists with significant knowledge of the Group, the retail sector and likely buyers.</p> <p>A phased marketing process has been developed. Interested parties will be provided with details of the Group’s restructuring plans to enable them to consider these relevant factors.</p> <p>Interested party bids must see the full repayment of the Group’s debt (£520m in respect of the RCF and the Notes plus, amongst other things, secured pension obligations and amounts drawn under the New Money Facilities Agreement) before there would be value to the Company.</p> <p>At this stage, based on current information, we would expect that any surplus flowing to the Company would flow largely to shareholders although there would need to be a liquidation process to advertise for any Company creditor claims which, if they materialised, would rank ahead of shareholders.</p>
<p>9. Valuations obtained of the business or the underlying assets</p>	<p>BDO has confirmed that it has independently reviewed the Group on an enterprise valuation basis, including goodwill, on a going concern basis.</p> <p>Enterprise value represents the total market value of the Group on a cash free, debt free basis.</p>

	<p>BDO undertook valuation analysis based on two established valuation methodologies being:</p> <ul style="list-style-type: none"> • Market Approach: This was the primary valuation approach for the Group and is based on a maintainable earnings valuation. This approach involves the use of trading multiples derived from comparable companies; and • Discounted Cash flow: A valuation method estimating the value of an investment based on future cash flows. <p>These valuation approaches used a combination of the Group's historical results and latest forecasts.</p> <p>The overall BDO conclusion was an estimated valuation range of £371m to £427m. This valuation is significantly lower than the Group's financial debt and secured pension obligations. This suggests that there is a significant shortfall to the Company's creditors and therefore no value to the Company's shareholders.</p> <p>Using in-house FTI valuation expertise, we have reviewed the BDO report and consider it to be detailed and reasonable.</p> <p>We are satisfied that BDO has adequate professional indemnity insurance and the individuals involved have the relevant qualifications including the lead partner being ACA and RICS qualified.</p> <p>We also considered the returns in a liquidation scenario. Estimated outcome analysis takes into account the realisable value of the assets on the Group's Balance Sheets as at 31 March 2019. In our view, a liquidation scenario would produce substantially lower realisations than the BDO going concern valuation.</p>
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Transaction

10. The date of the transaction	The Transaction completed on 9 April 2019.
11. The identity of the purchaser	Celine UK Newco 1 Limited, a company owned by the Company's secured lenders.
12. Any connection between the purchaser and the directors, shareholders or secured creditors of the Company	The purchaser is a company owned by the Group's secured creditors.
13. The names of any directors or former directors of the Company who are involved in the management, financing	The purchaser is an entity owned by the secured creditors of the Group.

<p>or ownership of the purchaser, or of any other entity into which any of the assets were / will be transferred</p>	<p>We are not aware of any connection to the current directors or shareholders of the Company.</p>																								
<p>14. Whether any directors of the Company had given guarantees for amounts due from the Company to a prior financier and whether that financier is financing the new business</p>	<p>We are not aware of any guarantees provided by the directors of the Company to the Group's lenders.</p>																								
<p>15. Details of the assets involved and the nature of the transaction(s)</p>	<p>The Transaction comprised the sale by the Company of 100% of the share capital of certain Group companies. Full details are provided below.</p> <p>The Company was party to certain commercial contracts relating to Group activities. These contracts will be novated to Group companies and it is envisaged that the Company will be released from its obligations.</p>																								
<p>16. The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration</p>	<p>The allocation of Transaction consideration for the transfer of the shares in each of the Group subsidiaries and other assets is set out below.</p> <table border="1" data-bbox="703 1048 1369 1989"> <thead> <tr> <th data-bbox="703 1048 1038 1106">Company name</th> <th data-bbox="1038 1048 1369 1106">Valuation (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="703 1106 1038 1205">Baroness Group Holdings Limited</td> <td data-bbox="1038 1106 1369 1205">1</td> </tr> <tr> <td data-bbox="703 1205 1038 1263">BF III Limited</td> <td data-bbox="1038 1205 1369 1263">1</td> </tr> <tr> <td data-bbox="703 1263 1038 1361">Debenhams Group Holdings Limited</td> <td data-bbox="1038 1263 1369 1361">101,807,521</td> </tr> <tr> <td data-bbox="703 1361 1038 1460">Debenhams Finance Holdings Limited</td> <td data-bbox="1038 1361 1369 1460">1</td> </tr> <tr> <td data-bbox="703 1460 1038 1559">Jerimain Investments Limited</td> <td data-bbox="1038 1460 1369 1559">1</td> </tr> <tr> <td data-bbox="703 1559 1038 1657">1 Share in Debenhams Retail Limited</td> <td data-bbox="1038 1559 1369 1657">1</td> </tr> <tr> <td data-bbox="703 1657 1038 1715">Trade and other debtors</td> <td data-bbox="1038 1657 1369 1715">1</td> </tr> <tr> <td data-bbox="703 1715 1038 1809">Benefit of certain insurance policies</td> <td data-bbox="1038 1715 1369 1809">1</td> </tr> <tr> <td data-bbox="703 1809 1038 1868">The Other Assets</td> <td data-bbox="1038 1809 1369 1868">1</td> </tr> <tr> <td data-bbox="703 1868 1038 1926">Contracts</td> <td data-bbox="1038 1868 1369 1926">1</td> </tr> <tr> <td data-bbox="703 1926 1038 1989">Total</td> <td data-bbox="1038 1926 1369 1989">101,807,529</td> </tr> </tbody> </table>	Company name	Valuation (£)	Baroness Group Holdings Limited	1	BF III Limited	1	Debenhams Group Holdings Limited	101,807,521	Debenhams Finance Holdings Limited	1	Jerimain Investments Limited	1	1 Share in Debenhams Retail Limited	1	Trade and other debtors	1	Benefit of certain insurance policies	1	The Other Assets	1	Contracts	1	Total	101,807,529
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	<p>The consideration was settled by the purchaser on completion. The form of the consideration was a discharge of Facility A (£101.81m) of the £200m New Money Facilities Agreement. The purchaser and the Group will also be responsible for certain of the Company's costs associated with the Transaction.</p>
<p>17. The consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable) and the methods by which this allocation of consideration was applied</p>	<p>The consideration paid for shares is a fixed charge realisation. The consideration paid for trade and other debtors is floating charge.</p> <p>All of the Group's key trading companies are subsidiaries of Debenhams Group Holdings Limited. Accordingly, substantially all of the Transaction consideration was allocated to the shares in Debenhams Group Holdings Limited.</p> <p>It should also be noted that the Group's trading companies are guarantors of the new Money Facilities Agreement, the RCF and the Notes. As such, the Group is being sold subject to these debt claims as well as pension and other obligations.</p>
<p>18. Any options, buy-back arrangements or similar conditions attached to the contract of sale</p>	<p>There is no option over the transferred shares.</p> <p>However, there is a contractual obligation on the purchaser to market the Group, using Lazard, under the supervision of the Joint Administrators.</p> <p>There are contractual protections in place which ensure that any value realised from the marketing process, after redemption of all financial debt (any amounts drawn under the New Money Facilities Agreement, the RCF, and the Notes, and secured pension obligations) would be remitted to the Company for its benefit.</p> <p>At this stage, we consider that there is a low likelihood of value from a bid exceeding the Group's debt.</p> <p>However, were that to arise, we would expect that any surplus flowing to the Company would flow largely to shareholders, although there would need to be a liquidation process to advertise for any Company creditor claims which, if they materialised, would rank ahead of shareholders.</p>
<p>19. Details of any security taken by the Joint Administrators in respect of any deferred consideration.</p>	<p>N/A</p>
<p>20. If the sale is part of a wider transaction, a description of the other aspects of the transaction</p>	<p>N/A</p>

Connected party transactions

21. Details of any connected party approaching the pre-pack pool and whether the pre-pack pool provided their opinion	N/A – as no connected party transactions.
22. Details from the connected party stating how the purchaser will survive for at least 12 months from the transaction date and what will be done differently (“Viability Statement”)	N/A – as no connected party transactions.