



6 June 2018

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**£175,000,000 floating rate senior secured notes due 2020**

(ISIN: XS1266139895 / ISIN: XS1266140554)

(the *Notes*)

issued by House of Fraser (Funding) plc

(the *Issuer*)

The Notes are admitted to the Official List of the Luxembourg Stock Exchange  
and to trading on the Euro MTF market.

**House of Fraser announces company voluntary arrangement proposals**

House of Fraser today confirms it has filed proposals for Company Voluntary Arrangements (**CVAs**) in respect of House of Fraser (Stores) Limited and House of Fraser Limited. These proposals are central to the significant restructuring of the business, without which House of Fraser does not believe it has a viable future. The proposal of the CVAs follows the announcement made on 2 May 2018, of C.banner International Holdings Limited's ("**C.banner**") conditional agreement to acquire a 51% stake in House of Fraser Group Limited and intention to introduce significant new capital (the "**Transaction**"). Further detail regarding the Transaction was announced by the Issuer on 2 May 2018 and in subsequent public announcements by C.banner and Nanjing Xinjiekou Department Store Co., Limited ("**Cenbest**").

Currently, House of Fraser operates 59 leased stores across the UK and Ireland and its property portfolio is unsustainable in its current form. Following a comprehensive review of the group's entire property portfolio, the directors of the companies have identified 31 stores for closure which will reduce the total store estate to 28 stores.<sup>1</sup> As part of this CVA process, the company also proposes to relocate its Baker Street head office and Granite House office in Glasgow to new locations. This will help to reduce costs and secure House of Fraser's future.

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<sup>1</sup> A list of stores identified for closure is indicated in the 'Notes' section below.

The company has held constructive initial discussions with landlords and other key stakeholders. Pending approval of the CVAs, it is anticipated that those stores scheduled for closure will remain open until early in 2019.

This process will affect a significant number of colleagues in the affected locations. Those impacted by the changes have already been informed of the proposed changes. The directors are committed to working with all those affected openly and with sensitivity over the months ahead.

The consultation on the CVA proposals will take place over the next 17 days and House of Fraser will seek approval from its creditors on 22 June 2018. During the period of the proposal, the Company will continue to trade as normal both through its stores and online. House of Fraser will continue to honour all unused gift cards.

Will Wright and Rob Croxen of KPMG LLP have been appointed as Nominees in the CVAs.

Commenting on the CVA proposals, Frank Slevin, Chairman of House of Fraser said:

*“The retail industry is undergoing fundamental change and House of Fraser urgently needs to adapt to this fast-changing landscape in order to give it a future and allow it to thrive. Our legacy store estate has created an unsustainable cost base, which without restructuring, presents an existential threat to the business. So whilst closing stores is a very difficult decision, especially given the length of relationship House of Fraser has with all its locations, there should be no doubt that it is absolutely necessary if we are to continue to trade and be competitive.*

*We have had constructive dialogue with a number of key stakeholders to date, and we will continue this engagement over the next 17 days. Ultimately, it will be for individual creditors to decide how they will vote on the CVAs. We believe the proposal has sought to find a solution that is fair for all parties, enabling us to secure vital new capital from C.banner.*

*Our immediate focus is on our colleagues with whom we are communicating openly and supporting at this time.”*

### **Consents to the business transformation**

House of Fraser have proactively engaged with the Trustee of the House of Fraser Beatties & Jenners Pension Scheme in relation to the CVA proposals, and the Trustee has confirmed that it currently intends to vote for the CVA proposals (subject to the Trustee making a final decision on whether and how it votes based on the circumstances prevailing at the relevant time in accordance with its Trustee duties).

House of Fraser has entered into a lock-up agreement with over 50% by value of the holders of the Notes (the *Noteholders*) to obtain certain consents, amendments and forbearances in relation to the Notes. These consents, amendments and forbearances are required to facilitate the restructuring of the Group's store portfolio through the CVAs. The Issuer expects to launch a consent solicitation to all Noteholders to formalise these amendments in the near future.

The Issuer is also pleased to announce that the Group has entered into a consent and amendment letter to obtain the consent of its majority lenders under the Group's senior facilities, to the CVAs and certain covenant support.

### Financial update

An investor presentation, which provides further updates to the Noteholders, is available on the House of Fraser website at <https://www.houseoffraser.co.uk/company-information/financial-reports>. As further detailed in the investor presentation, the group's unaudited preliminary results for FY17 are summarised in the table below.

House of Fraser (UK & Ireland) Limited		Unaudited
£ millions	28-Jan-17	27-Jan-18
Gross transaction value	1,310.5	1,233.6
Turnover	836.3	779.8
Gross Profit	483.1	445.6
Operating profit	31.8	19.8
EBITDA	70.1	58.7
Adjusted EBITDA	63.6	35.4
Net cash flow	(52.5)	(65.5)
Opening cash	125.4	72.9
Closing cash	72.9	7.4

Trading in the first quarter of the current financial year has been challenging, driven by lower consumer confidence, channel shift online and unusually cold weather during February and March 2018. The operational highlights for the Group for the 13 weeks up to 28th April 2018 are:

- (i) like-for-like sales decreased by 7.4% compared to the prior year, while turnover decreased 7.7%;
- (ii) gross profit of £75.4m which was £14.6m lower than the comparable period in the prior year;

- (iii) gross margin of 32.8% decreased by 350bps compared to margin of 36.3% last year, due in part to the impact of the depreciation in the value of Sterling; and
- (iv) in what is seasonally the lowest trading quarter, negative EBITDA for the quarter widened year on year to (£31.4m), driven primarily by the decline in total sales.

The Group expects that the Transaction will deliver significant new investment in the Group which, in addition to the anticipated cash flow benefit of the CVAs, will fully fund the business through the transformation programme.

**ENDS**

**Notes**

**For media enquiries please contact Newgate ([hof@newgatecomms.com](mailto:hof@newgatecomms.com) or on 0207 680 6550).**

**House of Fraser stores identified for potential closure under the CVA proposals:**

Altrincham	Aylesbury	Birkenhead
Birmingham	Bournemouth	Camberley
Cardiff	Carlisle	Chichester
Cirencester	Cwmbran	Darlington
Doncaster	Edinburgh	Epsom
Grimsby	High Wycombe	Hull
Leamington	Lincoln	London – City
London - Oxford Street	Middlesbrough	Milton Keynes
Plymouth	Shrewsbury	Skipton
Swindon	Telford	Wolverhampton
Worcester		

**About House of Fraser**

House of Fraser is a department store group with 59 locations across the UK and Ireland. As one of the best known names on the high street, House of Fraser has presented customers with an unrivalled nationwide department store for over 168 years. The group has annual sales of £1.2bn and employs approximately 5,000 House of Fraser employees and 12,500 concession staff through over 4 million sq. ft of selling space. Customers can shop at House of Fraser from <http://www.houseoffraser.co.uk>.

House of Fraser (UK & Ireland) Limited (formerly Highland Group Holdings Limited) is the parent company of the House of Fraser business in the UK and Ireland. It is 89% owned by House of Fraser Group Limited, which is also the parent company of House of Fraser's planned operations in China (the remaining 11% interest in House of Fraser (UK & Ireland) Limited is owned by West Coast Capital (HOF CO) Limited). Cenbest, a listed

company in China is the Group's ultimate parent company, following the acquisition on 2 September 2014. Sanpower has the controlling stake in Cenbest.

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This announcement includes statements, estimates, opinions and projections with respect to anticipated future performance of the Issuer and/or House of Fraser ("forward-looking statements") which reflect various assumptions concerning anticipated results taken from the Issuer's and/or House of Fraser's current business plan or from public sources, which may or may not prove to be correct. Such forward-looking statements reflect the Issuer's and/or House of Fraser's expectations as of the date of this announcement, based on the Issuer's and/or House of Fraser's then current business plan and various other assumptions and involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved.

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This announcement has been issued through the Financial News Service of the Luxembourg Stock Exchange.