



By Appointment to Her Majesty The Queen
Outfitters and Suppliers of Household Goods House of Fraser (Stores) Ltd T/A House of Fraser London

13 April 2016

HOUSE OF FRASER

SINCE 1849

Full Year 2015/16 Trading Update

House of Fraser delivers record sales and returns to profit

Highland Group Holdings Limited, the parent company of House of Fraser, the UK and Ireland's premium department store group, today updates the market on its performance for the 52 weeks to 30 January 2016.

Financial highlights include:

- Sales increased by 4.2% on a like-for-like 52 week basis (excluding VAT and the impact of the 53rd week in the prior year), with total GTV of £1.3 billion;
- Continued growth of online sales (excluding VAT), increased 26.8% on a like-for-like 52 week basis, representing 18.9% of total sales, whilst Bricks and Mortar store sales increased 0.1% on a like-for-like 52 week basis;
- Continued House Brand growth delivering record sales and cash margin on a like-for-like 52 week basis;
- Gross Profit of £484.1 million, up £23.9 million representing a 5.2% increase on the prior year;
- Profit before tax (before exceptional items) of £1.3 million, first profit since 2006; and
- Adjusted EBITDA increased by 3.0% to £66.3 million compared to the previous year (53 weeks to 31 January 2015: £64.4 million) or by 5.2% on a like-for-like basis (based on a management estimated 52 week period to 31 January 2015: £63.0 million).

Operational highlights include:

- Sales in all categories and routes to market increased on a like-for-like 52 week basis:
 - Continued growth in House Brands and Branded sales of 4.0% and 6.7% respectively (adjusting for the effects of the transfer of House Brand furniture to Concession last year, and the exit of House Brand lingerie); and
 - Strong performance in Menswear and Accessories, up 8.5% and 4.6% respectively.
- Further investment in House of Fraser's IT and ecommerce infrastructure underpinning the growth of the leading online proposition including:
 - Further enhancements to the Group's website to enable the launch of a new Australian website in late April 2016;
 - Improved Buy & Collect areas in 17 stores and online Recognition loyalty scheme developed; and
 - Further enhancements to the leading delivery proposition including two new premium next day delivery options – pre noon and afternoon.
- Continued investment in enhancing the Group's store portfolio including six extensive store refurbishments completed in the year (Huddersfield, Lincoln, Metro Centre, City, Bluewater and Leeds)
 - Committed to anchor a new shopping centre development in Rushden Lakes in Northamptonshire, due to open in spring 2017 with 64,000 sq. ft. of retail space;
- Continued progress on expansion plans in China, through House of Fraser Group Limited, with the first store planned to open in late 2016; and
- The National Living Wage applied to House of Fraser staff of all ages, as of 1 April 2016.

Current trading:

The opening weeks of Q1 Fiscal Year 2017 were impacted by challenging trading conditions, as seen across the retail sector, with sales for the first ten weeks to 9th April 2016 in line with last year. The Group remains cautiously optimistic for the remainder of the financial year.

Nigel Oddy, CEO of House of Fraser said:

“House of Fraser is pleased to report positive sales and margin growth over the full year, delivering the first profit before tax in 10 years. This was driven by continued progress across both our online and bricks and mortar stores, despite the volatile trading environment in the final quarter of Fiscal Year 2016. We have continued to invest in our business throughout the year, strengthening our multichannel proposition and enhancing our store environments with six extensive store refurbishments completed in the year. This investment will continue in Fiscal Year 2017 when we plan to refurbish further stores and continue to develop our IT and ecommerce capabilities.

“The response to the launch of our SS16 collection has been encouraging despite a slower than expected start to the new financial year as has been documented across the retail sector. Looking ahead, whilst mindful of ongoing uncertainty around the EU referendum and the challenging market conditions experienced across the retail industry since the beginning of 2016, we remain cautiously optimistic and believe we are well positioned to deliver further growth in the year ahead.”

Frank Slevin, Executive Chairman of House of Fraser said:

“It is encouraging to see continued progress across all categories and routes to market as we develop and position House of Fraser for the future, both in the UK and internationally. I would personally like to thank all of the Group’s staff for their hard work and commitment to delivering a premium shopping experience to our customers, and would also like to thank our Brand and Concession partners for their continued support.

“Looking ahead, we are focused on furthering our growth in the UK and exploring expansion opportunities overseas, in particular in the exciting Chinese market. We will launch our first international website in Australia in April 2016 and will open our first store in China later this year.”

Appointments:

House of Fraser has announced a number of recent appointments, further strengthening the management team, as the business continues its growth in the UK and internationally. As announced in March 2016, Maria Hollins has been appointed to the newly-created role of Executive Director, Buying & Design, effective from 9th May 2016, and will be overseeing all of the Buying & Design functions across the business. House of Fraser also appointed Dr Dorothy Maxwell as Head of Sustainability, with the remit to enhance its corporate sustainability commitments and values and embed them in the strategy and operations of the business.

John Kane joined House of Fraser in September 2015 as Regional Director of International Development with the remit to drive House of Fraser’s international ambitions into the Middle East and explore additional opportunities overseas, beyond the Chinese market. John has significant retail and international experience having worked for leading retail and real estate company, Fawaz Alhokair, acting as General Manager for M&S stores in Saudi Arabia and the CIS region.

Furthermore, as part of its objectives to build a sustainable business with robust Corporate Governance structures in place, in line with industry best practice, House of Fraser has appointed three Independent Non-Executive Directors to the Board of House of Fraser Group Limited, the holding company of Highland Group Holdings Limited. They are Sir Martin Davidson, Patrick Paul and Dr Charles Li. These Board appointments add further depth and experience of UK and China markets as the Group continues to build the brand internationally.

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About House of Fraser:

House of Fraser is a department store group with 59 enviable 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 165 years. The company was acquired by Nanjing Cenbest on 2 September 2014 marking the exciting beginning for the company under Chinese ownership. The Group has annual sales of £1.3bn and employs approximately 5,000 House of Fraser staff and over 12,000 concession staff through over 4 million sqft of selling space. Customers can shop at House of Fraser from <http://www.houseoffraser.co.uk>.

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 Highland Group Holdings is owned by West Coast Capital (HOF CO) Limited). Nanjing Cenbest, a listed company in China is the Group's ultimate parent company, following the acquisition on 2 September 2014.

Appointment Biographies

Maria Hollins

Maria Hollins has over 25 years of experience in retail and has significant expertise across fashion, multichannel and international markets. Maria has worked across a variety of different sectors in the industry for companies including Arcadia Group, Whistles and, most recently, ASOS.com as Global Product & Trading Director. Maria joined ASOS.com in November 2011, prior to which she spent 18 years with Arcadia Group working across a number of the Group's brands including Dorothy Perkins and Topman.

Dr Dorothy Maxwell

Dr Maxwell has led environment and sustainability initiatives over the last 20 years working with high profile brands and retailers, including Nike and John Smedley. She has also led multi-stakeholder coalitions, including the Sustainable Clothing Roadmap, to drive sustainable production, consumption and the transition to a green economy. Her experience also includes acting as special advisor to The Prince's Charities, governments and NGOs. Dorothy Maxwell holds a PhD in Environmental Science and a Masters in Environmental Economics & Law.

John Kane

John Kane has significant international retail experience having worked for leading retail and real estate company, Fawaz Alhokair, in Saudi Arabia and the CIS region since 2007. As part of his role, John acted as General Manager for over 20 M&S stores in the Middle East from November 2012 to August 2015. His experience includes business development, retail management, sales and operations, buying, people development and project management. Prior to joining Fawaz Alhokair, John worked for a number of brands including Esporta Health and Fitness, Phones 4u, and JJB Sports.

Sir Martin Davidson

Sir Martin Davidson, a former CEO of the British Council, has over 30 years of international cross-border experience. Sir Martin is also non-executive Chairman of the Great Britain China Centre, a non-departmental government body focused on helping UK organisations engaging with their Chinese counterparts, and has a non-executive role within the Foreign & Commonwealth Office concerning legal and political exchanges with China.

Patrick Paul

Patrick Paul is a Fellow of the Institute of Chartered Accountants in England and Wales. A resident of Hong Kong since 1980, he is a former Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong and currently is an Independent Non-Executive Director of The Hong Kong and Shanghai Hotels Limited, Johnson Electric Holdings Limited and Pacific Basin Shipping Limited. He is also Chairman of the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Dr Charles Li

Dr Charles Li served as the Chief Executive Officer of ANZ Bank (China) until August 2014 and retains a non-executive role on the Board. Between 1998 and 2014, as Country Executive China, Dr Li was responsible for establishing and managing The Royal Bank of Scotland's ("RBS") businesses in China. He has played a significant role in a number of strategic projects including the integration of ABN AMRO's local business into RBS in China.