9 April 2018

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Certain information contained in this announcement constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

FRENCH CONNECTION GROUP PLC
Proposed sale of Toast to BESTSELLER

French Connection Group PLC ("French Connection" or the "Company"), together with Jamie and Jessica Seaton (the "Seatons") (together, the "Sellers"), are pleased to announce that they have entered into an agreement, conditional upon French Connection shareholder approval, to sell the entire issued share capital of Toast (Mail Order) Limited ("Toast") to BESTSELLER UNITED A/S ("BESTSELLER" or the "Purchaser"), for gross proceeds of £23.3 million (the "Disposal"), comprising consideration of £21.3 million, payable in cash on completion, and the distribution to the Sellers by way of a pre-completion dividend (the "Dividend") of surplus cash on Toast's balance sheet of £2.0 million.

Key highlights of the Disposal

- The Disposal represents an enterprise valuation (including the Dividend) of approximately 12.2x Toast’s EBITDA for the year ended 31 January 2018
- The Disposal will enable the Company to focus further on the French Connection brand in its core retail, wholesale and licensing businesses (the "Continuing Group")
- The net cash proceeds arising from the Disposal will be used for general corporate and working capital purposes and to support the Company’s continued turnaround and return to profitability
- Completion of the Disposal, subject to French Connection shareholder approval, is expected to occur by the end of April 2018

French Connection owns 75 per cent. and the Seatons own 25 per cent. of the issued share capital of Toast. After the payment of management exit awards, the amounts due to the Seatons under the terms of the Toast shareholders’ agreement between Toast, the Seatons and French Connection and transaction costs, the Disposal, including the Dividend, is expected to result in net cash proceeds to French Connection of approximately £13.9 million.

The Disposal constitutes a Class 1 transaction under the Listing Rules and as the Seatons and the recipient of a management exit award (Suzie de Rohan Willner, the CEO of Toast) are related parties under the Listing Rules, the Disposal is also classified as a related party transaction. Accordingly, it is subject to, and conditional on, the approval of French Connection shareholders at a General Meeting. An explanatory circular will be sent to French Connection shareholders as soon as practicable, containing, inter alia, notice of the General Meeting.
Toast is a premium lifestyle brand which sells womenswear, accessories, nightwear, loungewear and homeware. Its headquarters are in London, UK, and it has a second office and warehouse facilities in Swansea, Wales, where it was originally founded. Toast sells its products through three channels: online, a network of twelve retail stores and through wholesale arrangements with John Lewis.

In the financial year ended 31 January 2018, Toast generated £19.0 million of revenue compared with £16.7 million for the year ended 31 January 2017, and £1.5 million of underlying operating profit before tax compared with £1.1 million of underlying profit before tax for the year ended 31 January 2017. Toast had gross assets of £8.8 million as at 31 January 2018.

**Stephen Marks, Chairman and Chief Executive of French Connection, said:**

“This is great news for Toast and its highly talented team. Toast is a very strong brand and I have no doubt that the team will continue to develop it further under BESTSELLER’s ownership and Suzie’s continued leadership.

*The price achieved for Toast reflects the strength of the brand and the business we have built behind it. French Connection will use the transaction proceeds to underpin its core business, allowing us to focus on our priority of returning to sustainable profitability and growth.*

*I would like to extend my thanks to all of the Toast management team for their commitment and dedication to the Toast business. We wish them every success in the future*.”

**Enquiries**

**French Connection Group PLC**  
Neil Williams, Chief Operating Officer  
Lee Williams, Chief Financial Officer

**Paternoster Communications (Financial PR advisers)**  
Tom Buchanan  
+44 (0)7974 982 366

**Smith Square Partners LLP (Financial Adviser)**  
John Craven, Matt Alexander  
+44 (0)20 3696 7260

**Numis Securities Limited (Corporate Broker and financial adviser)**  
Oliver Cardigan, Tom Ballard  
+44 (0)20 7260 1000

**SPARK Advisory Partners Limited (Sponsor)**  
Andrew Emmott, Mark Brady, Matt Davis  
+44 (0)20 3360 3555

The person responsible for arranging the release of this announcement on behalf of French Connection Group PLC is Lee Williams, CFO and Company Secretary.

**Notice to all investors**  
Smith Square Partners LLP ("Smith Square"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to French Connection and no-one else in connection with the Disposal and will not be responsible to anyone other than French Connection for providing the protections afforded to clients of Smith Square nor for providing advice
in connection with the Disposal or any matter referred to herein. Neither Smith Square nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Smith Square in connection with this announcement, any statement contained herein, the Disposal or otherwise.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as corporate broker and financial adviser to French Connection and no-one else in connection with the Disposal and will not be responsible to anyone other than French Connection for providing the protections afforded to clients of Numis nor for providing advice in connection with the Disposal or any matter referred to herein. Neither Numis nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Numis in connection with this announcement, any statement contained herein, the Disposal or otherwise.

SPARK Advisory Partners Limited ("SPARK"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as sponsor to French Connection and no-one else in connection with the Disposal and will not be responsible to anyone other than French Connection for providing the protections afforded to clients of SPARK nor for providing advice in connection with the Disposal or any matter referred to herein. Neither SPARK nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of SPARK in connection with this announcement, any statement contained herein, the Disposal or otherwise.

Introduction

French Connection, together with the Seatons, are pleased to announce that they have entered into a conditional agreement to sell the entire issued share capital of Toast to BESTSELLER, for gross proceeds of £23.3 million, comprising consideration of £21.3 million, payable in cash on completion, and the distribution to the Sellers by way of the Dividend of surplus cash on Toast’s balance sheet of £2.0 million.

The Disposal constitutes a Class 1 transaction under the Listing Rules and as the Seatons and the recipient of a management exit award (Suzie de Rohan Willner, the CEO of Toast) are related parties under the Listing Rules, the Disposal is also classified as a related party transaction. Accordingly, it is subject to, and conditional on, the approval of French Connection shareholders at a General Meeting. An explanatory circular will be sent to French Connection shareholders as soon as practicable, containing, inter alia, the notice of the General Meeting.

Background to and reasons for the Disposal

On 13 March 2018, French Connection announced its preliminary results for the year ended 31 January 2018. The Company reported improvements across all its divisions, despite what continues to be a particularly challenging retail market place in the UK. Underlying operating loss for the period was £0.6 million, an improvement of £3.1 million compared with the same period in 2017; operating loss for the period was £2.3 million, an improvement of £3.0 million compared with the same period in
2017. A stronger performance in the Company’s wholesale division, a reduced loss in retail and an improved contribution from licensing all contributed to this improvement.

Toast has also seen considerable improvements in operating performance over the last two years and is delivering growth and a return to profitability. In the year ended 31 January 2018, Toast generated an operating profit of £1.5 million (2017: £1.1 million).

Toast’s medium-term business plan including international expansion is expected to require continued investment which the Directors consider to be of a lower strategic priority than supporting the Company’s growth plans for its core French Connection brand. In addition, during 2017 the Seatons indicated to the Board their desire to exit the Toast business. Toast has always been operated separately from the rest of the Group apart from leveraging some of the central group resources, and the Directors believe that separating it from the Continuing Group should therefore be relatively straightforward.

Though significant progress has been made, the core strategic priority of French Connection remains the return of the Continuing Group to sustainable profitability and growth. The timing of the Disposal allows both the realisation of an attractive price for Toast and increases the financial resources available to support a continued focus on the Company’s core strategic initiatives. Proceeds from the Disposal will be used for general corporate and working capital purposes and to support the Company’s growth strategy in French Connection’s core wholesale, retail and licensing divisions.

The Board believes that the combined cash consideration and Dividend of £23.3 million recognises the market position and prospects of Toast and provides an attractive valuation.

Information on Toast

Toast is a premium lifestyle brand which sells womenswear, accessories, nightwear, loungewear and homeware. Its headquarters are in London, UK, and it has a second office and warehouse facilities in Swansea, Wales from where it was originally founded. Toast sells its products through three channels: online, a network of twelve retail stores and through wholesale arrangements with John Lewis. In the financial year ended 31 January 2018, Toast generated £19.0 million of revenue compared with £16.7 million for the year ended 31 January 2017, and £1.5 million of underlying operating profit before tax compared with a £1.1 million underlying operating profit before tax for the year ended 31 January 2017. Toast had gross assets of £8.8 million as at 31 January 2018.

The following individuals are deemed key to the operation of Toast:

<table>
<thead>
<tr>
<th>Name of Key Individual</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suzie de Rohan Willner</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Stuart Thomas</td>
<td>Company Accountant</td>
</tr>
</tbody>
</table>

Principal terms and conditions of the Disposal

The Sale Agreement between French Connection, the Seatons and the Purchaser was entered into on 8 April 2018, pursuant to which French Connection and the Seatons agreed to sell to the Purchaser the entire issued share capital of Toast. The consideration for the Disposal is £21.3 million based on Toast’s accounts as at 31 January 2018 and is payable in cash on Completion of the Disposal, subject
to certain adjustments. In addition, the parties have agreed that a pre-completion Dividend of £2.0 million shall be paid by Toast to the shareholders of Toast, giving total gross proceeds from the Disposal of £23.3 million.

Completion of the Disposal is conditional upon the approval of the French Connection shareholders at the General Meeting of the Company.

Upon Completion, French Connection, Toast and BESTSELLER will enter into a Transitional Services Agreement, under which French Connection will provide certain transitional services to Toast and Toast will provide certain transitional services to the Continuing Group. The services will relate to matters such as certain customer service and support functions, IT and product sourcing services.

**Use of proceeds, financial effects of the Disposal and strategy of the Continuing Group**

The net cash proceeds to French Connection arising from the Disposal and the Dividend are expected to be £13.9 million after fees and expenses, which will be used for general corporate and working capital purposes and to support growth strategy in French Connection’s core retail, wholesale and licensing divisions.

The Board believes that the Disposal provides a significant opportunity to increase investment in the core French Connection brand as the Continuing Group returns to profitability and grows in the future.

Excluding Toast, the performance of the Continuing Group improved in 2018 from an underlying operating loss of £4.8 million in 2017 to a loss of £2.1 million for the year ended 31 January 2018. Should the Disposal be achieved the Company will review its ongoing dividend policy with a view to restarting dividend payments once the Company has returned to profitability.

French Connection’s strategy is to:
- ensure the Continuing Group’s model is sustainable in the long term with a balanced omnichannel platform of stores, wholesale, licensing and online; and
- deliver further growth, a return to profitability and value for shareholders.

French Connection intends to further rationalise the physical retail store portfolio by closing loss making stores. Focus will also be given to growing the wholesale business by focusing on increasing orders with existing customers, mainly in the UK and United States. Additionally, the growth of the licensing business will be a strategic focus.

**Related Party Transactions**

The Seatons are regarded as related parties under the Listing Rules by virtue of their shareholding in Toast and being directors of Toast. Under the terms of the amended shareholders’ agreement entered into on 6 April 2009 between the Company, the Seatons and Toast, the Seatons are entitled to receive, in addition to their 25 per cent. shareholding, 0.5 per cent. of the proceeds of the value of the Disposal for each £1 million in excess of £12 million up to a maximum of 5 per cent. Accordingly, they will receive 30.0 per cent. of the consideration before deduction of an exit award to Suzie de Rohan Willner, the Toast CEO.
The Company and the Seatons have agreed that £2.3 million of the sale proceeds will be used to pay an exit award to the CEO of Toast, Suzie de Rohan Willner, pursuant to her employment contract with Toast. Ms Willner is regarded as a related party under the Listing Rules as she is a director of Toast.

Accordingly, the Disposal proceeds of £21.3 million together with the Dividend of £2.0 million will be split as to £14.7 million (£13.9 million after expenses) to the Company, £6.3 million (£6.2 million after expenses) to the Seatons and £2.3 million to Ms Willner.

The Disposal is classified as a related party transaction under the Listing Rules. Accordingly, the Disposal is subject to prior approval by French Connection shareholders, other than the related parties themselves and their associates. None of the Seatons, Suzie de Rohan Willner and their associates are French Connection shareholders and accordingly all French Connection shareholders are entitled to vote on the Resolution.

**Expected timetable to Completion**

A circular containing further details of the Disposal and a notice convening a general meeting will be sent to French Connection shareholders in due course. Completion is expected to occur by the end of April 2018.

A copy of this announcement will be available on French Connection’s website at [www.frenchconnection.com](http://www.frenchconnection.com)

**Forward-looking statements**

This announcement contains “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "anticipates", "expects", "may", "will", "could", "would", "shall", "should" or similar expressions or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, French Connection’s results of operations, financial condition, prospects, growth, strategies and the industries in which French Connection operates.

Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, French Connection undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The information contained in this announcement is subject to change without notice and French Connection, Smith Square, Numis and SPARK do not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein, save as required by law, regulation or the Listing Rules.