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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Carpetright plc
("Carpetright" or the "Company" or the “Group”)

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and

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Summary

Carpetright is today announcing a proposal to address its legacy property issues and reduce the size of its UK property estate and rental cost base by the implementation of a company voluntary arrangement (“CVA”).

- The directors of the Company have finalised the terms of a CVA which is intended to restore the viability of the Group's business model (the "CVA Proposal"). The CVA Proposal will enable the Group to undertake a fundamental restructuring of its property portfolio that the Board believes must be carried out as part of implementing the Group's revised business plan.

- A comprehensive review of the Company's property portfolio has identified 205 sites in the UK that are underperforming and/or on unfavourable lease terms, or, in certain cases, not expected to have significant strategic value to the Company going forward. Of these, 92 sites have been identified for closure in the short term under the CVA Proposal, with the balance of 113 sites being subject to a reduction in rental costs and revised lease terms.

- Save for landlords compromised by the CVA, the CVA Proposal will not seek to compromise claims of any other creditors.

- The launch of the CVA process does not affect the current ordinary course operations of the Group and the business continues to trade as a going concern.

- The detailed terms of the CVA Proposal, including details of the creditor and shareholder meetings to implement it, are contained in the CVA Proposal Document that is intended to be made available to all unsecured creditors and shareholders of the Company later today.

- Carpetright will seek creditor approval of the CVA Proposal at a meeting to be held on 26 April 2018. Approval from Carpetright shareholders will be sought at a meeting to be held on 30 April 2018 (“CVA Meetings”).

- In addition, Carpetright currently expects to raise net proceeds of approximately £60 million through an equity capital raising (expected to be by way of a placing and open offer). These proceeds will be used to fund the Group's on-going strategy, reduce indebtedness and cover the costs associated with the CVA. The Company expects to launch the equity capital raising on or around 18 May 2018, after the CVA Meetings, and to have received the proceeds in early June 2018, subject to the CVA Proposal having been approved at each of the meetings as planned and subject to there having been no successful challenge to the CVA Proposal.

- Since the Company last updated the market on 1 March 2018, trading conditions have remained difficult. However, in-line with the announcement on 1 March 2018, the Group still expects to report a small underlying pre-tax loss for the year ending 28 April 2018 (“FY18”). The Company now expects to provide the market with a scheduled trading update for FY18 on or shortly after 30 April 2018, being the day on which the shareholder meeting is due to take place.

- In addition, a technical breach has been identified with respect to compliance with the borrowing powers in the Company’s Articles of Association (the “Articles”). Today, the Company intends to post a shareholder circular which includes the appropriate resolutions to ratify this breach and to amend its Articles to prevent future breaches. The general meeting will held on 30 April 2018.

Commenting on the CVA Proposal, Wilf Walsh, Carpetright CEO said:

"These tough but necessary actions will enable us to address the burden of a legacy UK property estate consisting of too many poorly located stores on unsustainable rents and are essential if we are to restore our profitability and deliver a successful turnaround. Carpetright has engaged fully with the British Property Federation on the detail of the CVA Proposal and we thank them for their constructive approach.

"Completion of the CVA and equity financing will enable us to establish an appropriately-sized estate of modernised stores, on economic rents, complemented with a compelling online offer, enabling Carpetright to address the competitive threat from a position of strength.

“We will remain in close contact with all colleagues to keep them fully informed as we move through this process."

Stephanie Pollitt, Assistant Director of Real Estate Policy, British Property Federation (BPF) comments:

“These situations are never easy as landlords need to take into consideration the impact on their investors, including those protecting pensioners’ savings, as they vote on the CVA proposal.

Carpetright and Deloitte, however, have demonstrated best practice, constructively engaging with the BPF early in the process and ensuring landlords’ interests have been properly taken into account.

Ultimately, it will be for individual landlords to decide how they will vote on the CVA, but the proposal has sought to find a solution that works for all parties."

This summary should be read in conjunction with the full text of the announcement.

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<u>Notes to editors</u>

Carpetright plc is Europe's leading specialist floor coverings and beds retailer. Since the first store was opened in 1988 the business has developed both organically and through acquisition within the UK and other European countries. The Group is organised into two geographical regions, the UK and the Rest of Europe (comprising The Netherlands, Belgium and the Republic of Ireland).

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CVA Proposal

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CVA Proposal and equity capital raise update

Further to its announcement of 21 March 2018, the Company is today announcing full details of its CVA proposal.

The directors of the Company have now finalised the terms of the company voluntary arrangement to be proposed to unsecured creditors and shareholders of the Company (the "CVA Proposal"). A company voluntary arrangement or "CVA" is a formal statutory procedure which enables a company to agree with its unsecured creditors a composition in satisfaction of its debts or an arrangement of its affairs which can determine how its debts should be paid and in what proportions.

The terms of the CVA Proposal are contained in a document (the "CVA Proposal Document") that is intended to be made available to unsecured creditors and shareholders of the Company later today by the nominees, Matthew David Smith and Neville Barry Kahn of Deloitte LLP, nominated in relation to the CVA Proposal.

A summary of the key terms of the CVA Proposal follows below:

- The CVA Proposal will enable the Group to undertake a fundamental restructuring of its property portfolio that the Board believes must be carried out as part of implementing the Group's revised business plan. The Board believes that the CVA Proposal, if approved and implemented as planned by the Company, will demonstrably give landlords of compromised sites a far greater return than the amount it is estimated that unsecured creditors would receive if Carpetright were to be placed in administration.

- The directors, together with their advisors, have carried out a comprehensive review of the Company's property portfolio and have identified 205 sites in the UK that are underperforming and/or on unfavourable lease terms or, in certain cases, not expected to have significant strategic value to the Company going forward. On the basis of this review, the leases have been categorised into three categories, and the CVA Proposal has been structured so as to effect the necessary restructuring of each category of leases to implement the revised business plan. The CVA Proposal distinguishes between (i) sites that are performing adequately or are core to the future business ("Category A Premises"), (ii) sites that are underperforming by virtue of being marginally profitable and/or where property costs are above market and a rent reduction is necessary to restore the medium to long term viability of these sites ("Category B Premises") and (iii) sites that are underperforming and/or on unfavourable lease terms or, in certain cases, are not expected to have future strategic value to the Company ("Category C Premises").

- In respect of Category A Premises, the CVA Proposal will temporarily vary the terms of the 195 Category A Premises so that principal rent, service charge and insurance will be paid on a monthly rather than quarterly basis for a period of 3 years from the Next Payment Date (being the later of 24 June 2018 and the next rent payment date).

- In respect of Category B Premises, the CVA Proposal will vary the terms of the leases of the 113 Category B Premises so that rent will be reduced and the principal rent, service charge and insurance will be paid on a monthly rather than quarterly basis for a period of 3 years from the Next Payment Date (the “Rent Concession Period”). The Category B Premises have been split into two sub-categories, being Category B1 Premises and Category B2 Premises, based on the rent reduction. The applicable rent reductions for the two sub-categories during the Rent Concession Period will be as follows:
    - 30 per cent. reduction on the amount of rent payable on the 82 Category B1 Premises (with an additional 5 per cent. of rent being paid in lieu of all dilapidations liabilities); and
    - 50 per cent. reduction on the amount of rent payable on the 31 Category B2 premises (with an additional 5 per cent. of rent being paid in lieu of all dilapidations liabilities);

- The CVA Proposal will also allow the Group to terminate the leases of Category B2 Premises on or after 18 months from the date on which the CVA is approved at the creditors' meeting (the "Effective Date") and Category B1 Premises on the Second and Third anniversaries of the Effective Date.

- In respect of Category C Premises, the CVA Proposal will enable the closure of 92 sites on or after 23 September 2018, with reduced rent of 50 per cent. to be paid for the period between the Next Payment Date and 23 September 2018 (with an additional 5 per cent. of rent being paid in lieu of all dilapidations liabilities).

- The CVA Proposal will provide for a fund of £600,000 to be available to make payments to compromised landlords that will be payable no later than the date falling 34 months after the Effective Date.

- The detailed terms of the CVA Proposal, including details of the creditor and shareholder meetings, are contained in the CVA Proposal Document that is intended to be made available to all unsecured creditors and shareholders of the Company later today.

The Company will remain liable for rates on the closed sites until those sites are surrendered, forfeited or assigned or the leases are terminated on the date which is the earliest possible date on which a break clause could be exercised under the lease. Save as set out above in general terms, the CVA Proposal will not seek to compromise claims of any other creditors.

The launch of the CVA process does not affect the current ordinary course operations of the Group and the business continues to trade as a going concern. The Company is not in and will not be in administration as a result of commencing the CVA process.

The CVA Proposal Document contains notices of meetings of the unsecured creditors and shareholders of the Company (together, the "CVA Meetings") to consider and, if thought fit, approve the CVA Proposal. To become effective, the CVA for the Company requires the approval of the requisite majority of the unsecured creditors of the Company. A majority of 75 per cent. in value of the unsecured creditors of the Company voting in person or by proxy at the creditors' meeting is required. Further, of those creditors of the Company whose claims have been admitted for voting at the creditors' meeting, at least 50 per cent. in value of the unsecured creditors who are unconnected must also vote in favour of the CVA.

A CVA also requires the approval of more than 50 per cent. in value of the shareholders present in person or by proxy and voting at a meeting on the resolution to approve the CVA. However if the outcome of the meeting of shareholders differs from the outcome of the meeting of a company's creditors, the decision of the creditors will prevail, subject to the right of any shareholder to apply to the Court to challenge the approval of the CVA.

Implementation of the CVA will be conditional upon a successful equity capital raising. In order to meet the Company’s ongoing funding requirements, the Directors expect that the net proceeds required to be raised under the equity capital raising will be approximately £60 million. These proceeds will be used to fund the Group's on-going strategy, reduce indebtedness and cover the costs associated with the CVA. Carpetright currently expects to launch the equity capital raising and to publish a combined shareholder circular and prospectus on or around 18 May 2018, after the CVA Meetings, and to hold a general meeting of shareholders and to have received the proceeds of the equity capital raising in early June 2018, subject to the CVA Proposal having been approved at each of the meetings as planned and subject to there having been no successful challenge to the CVA Proposal.

The equity capital raising will require agreement from the Company's lenders to grant an extension of the Company's revolving credit facility ("RCF") and the Company is about to start discussions with the lenders in relation to such extension. The Company will also require additional interim funding of up to £15 million so as to ensure that it has sufficient working capital until such time as the proceeds of the equity capital raising have been received. The Company is currently in discussions with a key stakeholder in relation to obtaining this interim funding. Therefore, full implementation of the CVA is also effectively conditional upon (i) the terms of an extension to the RCF being agreed with the lenders and (ii) interim additional funding being secured.

The directors of the Company and the nominees are firmly of the view that the CVA Proposal and the CVA process in general will facilitate a better outcome for creditors than would occur if the Group were placed into administration or liquidation.

The CVA Meeting for creditors of the Company will be held at 2.30 p.m. at Etc. Venues, Riverside Building, Belvedere Road, London SE1 7PB on 26 April 2018.

The CVA Meeting for shareholders of the Company will be held at 10.00 a.m. at Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 30 April 2018.

A copy of the CVA Proposal Document, following expected publication later today, will be available for inspection at the registered office of the Company at Purfleet Bypass, Purfleet, Essex, RM19 1TT during normal business hours on any business day with effect from today and up to and including the conclusion of the CVA Meetings.

In addition, the CVA Proposal Document will be submitted to and made available on the National Storage Mechanism (which can be accessed at www.morningstar.co.uk/uk/nsm).

Trading update

Since the Company last updated the market on 1 March 2018, trading conditions have remained difficult. However, in-line with the announcement on 1 March 2018, the Group still expects to report a small underlying pre-tax loss for the year ending 28 April 2018 ("FY18"). The Company now expects to provide the market with a scheduled trading update for FY18 on or shortly after 30 April 2018, being the day on which the shareholder meetings are due to take place.

Ratification of technical breach of borrowing limit

A technical issue has arisen in respect of the powers conferred upon the directors of Carpetright by its articles of association (the "Articles") to incur borrowings on behalf of the Company. The Company's Articles contain a borrowing restriction which requires the directors to restrict the borrowings of the Group to two times its adjusted capital and reserves. Whilst carrying out a review of this provision in the context of the CVA, the Directors have become aware that the Group's borrowings are, and have for some time been, technically in excess of this restriction.

This matter can be remedied by shareholders passing a resolution to ratify this technical breach and therefore the Company has today sent a circular to shareholders convening a general meeting on 30 April 2018 to approve such ratification and an amendment to the articles of association to remove this restriction on borrowings. Until this matter is resolved by the passing of these shareholder resolutions, the Company will be unable to incur additional borrowings that it might require to fund the short term working capital requirements of the Group. The Company's lending banks have agreed to relax certain covenants and other terms related to its borrowings in order to address the short term funding shortfall that could otherwise arise. The Directors currently believe that the Group has sufficient working capital available to satisfy its funding requirements up to the date when the matter will be put to a shareholder vote (being 30 April 2018).

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