MULBERRY

MULBERRY GROUP PLC (“Mulberry” or the “Group”)
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Mulberry Group plc, the English luxury brand, announces its results for the six months ended 30 September 2013.

FINANCIAL HIGHLIGHTS

- Total H1 revenue up 2% to £78.1 million (2012: £76.5 million)
    - Retail revenue up 6% to £49.5 million, up 4% like-for-like
    - International retail revenue up 29%
    - Wholesale revenue down 5% to £28.6 million
- Gross margin of 63.0% (2012: 61.3%)
- Profit before tax of £7.2 million (2012: £10.0 million), reflecting cost of continued investment in international expansion and increased seasonality

OPERATING HIGHLIGHTS

- Nine new international stores opened during the period
- Second UK factory completed on time and to budget, with production ramp-up going to plan
- New global web platform launched during July 2013

CURRENT TRADING AND OUTLOOK

- Retail revenue up 3% for the nine weeks to 30 November 2013 (as adjusted for UK sample sale timing)
- International retail revenue up 49%
- Wholesale trend expected to continue for full year 2013/14 as cautious ordering continues
- Two further stores opened since 30 September 2013; on track to open 15 new stores during 2013/14
- Contracts exchanged for Paris flagship store, scheduled to open during 2014/15

BRUNO GUILLON, CHIEF EXECUTIVE, COMMENTED:

“Mulberry has delivered 6% retail sales growth during the period and 4% like-for-like growth. This includes UK retail sales which were up 5% despite a tough economic climate and encouraging growth in international retail sales which were up 29%. Wholesale sales were 5% lower for the period, reflecting more conservative ordering by European wholesale customers.

During the period, we completed the construction of our new Somerset factory on time and to budget and the intensive training of the 240 new staff recruited so far is progressing well. The factory is already in production and is expected to be at full capacity by mid-2014, allowing us to achieve our target of making 50% of our handbags in England for AW14.

We are also pleased with the launch of a new global web platform during July 2013, which was the result of a two year project to enhance customer experience across mobile, tablet and desktop and deliver increased language and content capability.

Mulberry continues with its international expansion and we are on track to open 15 new stores for the full year. I am also pleased to announce that we have recently secured a location for a flagship store in a prime location on Rue Saint-Honoré, Paris which is scheduled to open during 2014/15. Located in a key tourist destination, this store will generate global visibility for the Mulberry brand.”

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FINANCIAL REVIEW

Total revenue for the six months to 30 September 2013 was £78.1 million, up 2% from £76.5 million during H1 2013, reflecting retail sales growth against a modest decline in wholesale sales.

Retail

Our own retail network saw continued growth with revenues up 6% to £49.5 million (2012: £46.5 million) and up 4% like-for-like. Within this figure, UK retail sales have remained solid and we have seen encouraging growth in international retail sales:

- UK retail sales (excluding online) were up 5% to £36.6 million (2012: £34.7 million). Footfall was down during the period, however this was offset by stronger conversion rates and higher average transaction values;

- International retail sales (excluding online) were up 29% to £6.3 million (2012: £4.9 million), reflecting an improvement in North America and continued growth in Europe; and

- Online sales were down 4% to £6.6 million, representing 8% of Group sales (2012: 9%). This followed very strong growth during the previous year and we expect online sales to grow over the medium term, in line with industry trends and as we roll out foreign language translations of our new web platform.

Wholesale

Wholesale revenue was down 5% to £28.6 million (2012: £30.0 million), reflecting cautious ordering from European wholesale partners. Four franchise stores were opened during the period and are listed under “International Expansion” below.

Financial

Gross margin was 63.0% for the six months to 30 September 2013 (2012: 61.3%) in line with our expectations and reflecting the increased proportion of retail to wholesale sales.

Net operating expenses for the period increased by £5.1 million to £42.2 million (2012: £37.1 million). The main elements of this increase were £2.3 million additional costs related to new directly operated stores and £1.6m additional employee costs. The employee costs include the creation of new divisional management structures for the North American and European operations to manage these growing businesses.

The increased percentage of sales through our retail stores as we build the international networks makes the business more seasonal with a greater proportion of profit generated in the second half due to the important Christmas trading period. As a result of this increased seasonality and our investment in international expansion, H1 profit before tax fell 28% to £7.2 million (2012: £10.0 million).

The effective tax rate has risen to 29.7% for the period from 26.6% last year, largely as a consequence of increased unrelieved tax losses generated in Europe.

Capital expenditure for the period was £10.7 million, up from £8.3 million last year, of which £4.7 million related to retail stores, £3.6 million to the UK factories and £2.0 million to investment in IT systems.

Inventories have decreased as planned to £33.4 million from £36.9 million at the same time last year. Overall, the Group balance sheet remains strong with cash of £11.1 million at 30 September 2013 (2012: £12.6 million) and no debt.

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OPERATING REVIEW

Production

"Made in England" anchors the authenticity of the Mulberry brand. Our second factory in Somerset, UK, was completed during June 2013. Two hundred and forty staff have been recruited (80% of the planned total) and the training programme and factory productivity are progressing in line with our expectations. During the period we have recognised £0.8 million in Regional Growth Fund support which has been used to offset the training and overhead costs of the factory. The factory is expected to be operating at full capacity by mid-2014, doubling our UK production capacity. We expect to produce approximately 50% of our handbags in England for AW14.

Global leather prices for luxury skins have increased by up to 16% during the period, and leather sourcing is a challenge that continues to impact all leather goods manufacturers, including Mulberry. Managing pricing and sourcing to maintain our gross margin targets will continue to be a key priority for the brand.

Product

Mulberry continues its search for a new Creative Director. In the meantime, the design and product development teams in each of our major product categories continue the seasonal refreshment of our collections as usual.

Mulberry faces increased competition from mid-market brands which has had an impact on sales of our entry price point handbags. We are taking steps to address this challenge with continued innovation and by extending and reinforcing our product mix. The AW13 and SS14 collections include new handbag styles and an increased range of small leather goods, belts, fashion accessories and men's products.

The initial response to these new products has been encouraging. For example, Small Leather Goods and Gifts increased to 14% of sales from 13% during the same period last year and Men's product sales have increased to 13% of full price retail sales from 11% during the same period last year. Men's is an area of opportunity and we are continuing to focus on supporting the category through product innovation, communications and store space allocation.

For AW13, the Mulberry range included over 1,000 individual products with over 60% of these priced below £500, ensuring Mulberry remains accessible to its traditional customer base. However, the new higher end bags that we have launched above £1,000 are performing well. For example, the "Willow" and "Double Zip Bayswater" styles have both been very popular, demonstrating that Mulberry has the ability to attract a high-end luxury customer.

International Expansion

North American retail sales were up 22% during the period and European retail sales were up 36%, bringing international retail sales to 8% of total revenue, up from 6% during the same period last year.

We continue to focus upon opening stores in prime retail locations around the world complemented by high quality wholesale accounts. During H1 we opened five directly operated stores: USA (1), Canada (2), Germany (1) and Austria (1) and four partner stores: China (2), Palma de Mallorca (1) and Abu Dhabi (1). This brings Mulberry's global store footprint to 123 stores, including directly operated and partner stores.

Our strategy is to open a mix of standalone stores and shop-in-shops in key department stores, with larger flagships in key luxury and tourist destinations. All stores opened during the period were standalone stores and we have focused on high traffic locations and/or tourist locations where we will benefit from footfall and increased visibility of the brand internationally.

Operations

During the six months to 30 September 2013 we have continued to invest in new stores, factories and IT systems. Three important IT projects were a focus for the period:

- In July 2013 Mulberry launched its new global web platform, the result of a two year project to optimise the customer shopping journey and brand experience across tablet, mobile and desktop. The platform will allow us to extend the ranges of languages and currencies in which we operate and tailor content to meet local market requirements;

- Following the company's supply chain review last year we have begun the implementation of a new integrated supply chain management system. This project will give us end-to-end visibility over the supply chain, allowing us to plan and allocate production more effectively as well as improving forecasting and inventory management. The project is on track to be completed during the 2014/15 financial year; and

- We are part way through a global roll-out of a new point of sale system into our own stores. Once the roll-out is complete, we will use this till infrastructure to support a sophisticated CRM application which will be implemented during the 2014/15 financial year.

Brand

One of the key challenges for the Mulberry brand is to increase its international recognition. We have focused upon raising brand awareness through new store launch events, collaborations and press campaigns in our growth markets. In addition we are raising visibility of the brand in the UK market through London Fashion week and initiatives including Harrods Christmas windows and a capsule collection for Mr Porter which have generated positive press and social media responses.

CURRENT TRADING AND OUTLOOK

During the nine weeks to 30 November 2013, total retail sales, including UK and international, were up 3% compared to the same period last year (excluding the impact of the sample sale which was held in London during November last year and will take place in Q4 this year). Without adjusting for the sample sale, total retail sales were flat for the period.

International retail sales have shown an encouraging trend, up 49% during the nine weeks to 30 November 2013.

Since the half year-end we have opened a directly operated store in Ireland and a partner store in Sweden. We are on track to open a total of 15 new international stores during the year.

We expect H1 wholesale trends to continue for the rest of the year to 31 March 2014.

Our domestic UK market, where we have largely completed our network of stores, continues to be of prime importance to our business and we continue to seek ways to build market share. Our business in the rest of the world is relatively undeveloped and this is where we expect to achieve substantial growth in the future. Consequently, we are taking the necessary steps to build Mulberry's global brand awareness, opening stores in prime international retail locations and investing in marketing initiatives that highlight the brand's heritage and craftsmanship. Over the last few weeks we have taken the important step of securing a flagship store in a prime location on Rue Saint-Honoré, Paris which is scheduled to open during 2014/15.

We continue to focus on the transition of Mulberry from a UK success story into a global brand. Capital expenditure for the year to 31 March 2014 is expected to be around £19.0 million, subject to the timing of new store openings and other investments. This significant investment continues to be funded from internally generated cash flows.

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Consolidated income statement
Six months ended 30 September 2013

	Note	Unaudited six months 30 Sept 2013 £'000	Unaudited six months 30 Sept 2012 £'000	Audited year ended 31 Mar 2013 £'000
Revenue		78,094	76,495	165,130
Cost of sales		(28,861)	(29,641)	(60,623)
Gross profit		49,233	46,854	104,507
Administrative expenses		(42,402)	(37,248)	(79,413)
Other operating income		234	179	437
Operating profit		7,065	9,785	25,531
Share of results of associate		157	197	477
Finance income		25	37	48
Finance expense		(20)	(14)	(30)
Profit before tax		7,227	10,005	26,026
Tax	4	(2,150)	(2,663)	(7,333)
Profit for the period		5,077	7,342	18,693
Attributable to:				
Equity holders of the parent		5,077	7,342	18,693
		Pence	**Pence**	**Pence**
Basic earnings per share	5	8.7	12.9	32.2
Diluted earnings per share	5	8.6	12.9	32.0

All activities arise from continuing operations.

Consolidated statement of comprehensive income
Six months ended 30 September 2013

	Unaudited six months 30 Sept 2013 £'000	Unaudited six months 30 Sept 2012 £'000	Audited year ended 31 Mar 2013 £'000
Profit for the period	5,077	7,342	18,693
Exchange differences on translation of foreign operations	(453)	(160)	45
Total comprehensive income for the period	4,624	7,182	18,738
Attributable to:			
Equity holders of the parent	4,624	7,182	18,738

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Consolidated balance sheet
At 30 September 2013

	Unaudited 30 Sept 2013 £'000	Unaudited 30 Sept 2012 £'000	Audited 31 Mar 2013 £'000
Non-current assets			
Intangible assets	6,863	4,771	5,740
Property, plant and equipment	37,985	28,459	33,494
Interests in associates	423	507	281
Deferred tax assets	780	90	201
	46,051	33,827	39,716
Current assets			
Inventories	33,365	36,867	35,698
Trade and other receivables	17,372	17,189	14,233
Cash and cash equivalents	11,143	12,570	21,858
	61,880	66,626	71,789
Total assets	107,931	100,453	111,505
Current liabilities			
Trade and other payables	(24,500)	(31,226)	(29,800)
Current tax liabilities	(2,398)	(2,589)	(2,996)
	(26,898)	(33,815)	(32,796)
Non-current liabilities			
Deferred tax liability	-	-	-
Total liabilities	(26,898)	(33,815)	(32,796)
Net assets	81,033	66,638	78,709
Equity			
Share capital	2,994	2,983	2,992
Share premium account	11,852	11,578	11,835
Own share reserve	(2,593)	(3,756)	(2,937)
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,467
Foreign exchange reserve	(229)	19	224
Retained earnings	67,388	54,193	64,974
Total equity	81,033	66,638	78,709

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Consolidated statement of changes in equity
Six months ended 30 September 2013

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital reserve £'000	Special reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
As at 1 April 2012	2,982	11,578	(3,966)	154	1,467	179	50,069	62,463
Total comprehensive income for the period	-	-	-	-	-	(160)	7,342	7,182
Issued share capital	1	-	-	-	-	-	-	1
Charge for employee share-based payments	-	-	-	-	-	-	536	536
Own shares	-	-	(1)	-	-	-	-	(1)
Exercise of share options	-	-	211	-	-	-	(848)	(637)
Ordinary dividends paid	-	-	-	-	-	-	(2,906)	(2,906)
As at 30 September 2012	2,983	11,578	(3,756)	154	1,467	19	54,193	66,638
Total comprehensive income for the period	-	-	-	-	-	205	11,351	11,556
Charge for employee share-based payments	-	-	-	-	-	-	352	352
Exercise of share options	9	257	-	-	-	-	(922)	(656)
Own shares	-	-	819	-	-	-	-	819
As at 31 March 2013	2,992	11,835	(2,937)	154	1,467	224	64,974	78,709
Total comprehensive income for the period	-	-	-	-	-	(453)	5,077	4,624
Charge for employee share-based payments	-	-	-	-	-	-	627	627
Own shares	-	-	344	-	-	-	-	344
Exercise of share options	2	17	-	-	-	-	(358)	(339)
Ordinary dividends paid	-	-	-	-	-	-	(2,932)	(2,932)
As at 30 September 2013	2,994	11,852	(2,593)	154	1,467	(229)	67,388	81,033

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Consolidated cash flow statement
Six months ended 30 September 2013

	Unaudited six months 30 Sept 2013 £'000	Unaudited six months 30 Sept 2012 £'000	Audited year ended 31 Mar 2013 £'000
Operating profit for the period	7,065	9,785	25,531
Adjustments for:			
Depreciation of property, plant and equipment	3,365	2,628	5,553
Amortisation of intangible assets	639	354	803
(Profit)/loss on sale of property, plant and equipment	(11)	32	(26)
Effects of foreign exchange	479	146	(270)
Share-based payments charge	627	536	1,011
Operating cash flows before movements in working capital	12,164	13,481	32,602
Decrease/(increase) in inventories	2,322	(4,273)	(3,101)
(Increase)/decrease in receivables	(3,139)	(2,271)	533
Decrease in payables	(5,016)	(4,321)	(5,657)
Cash generated by operations	6,331	2,616	24,377
Corporation taxes paid	(3,192)	(6,379)	(10,922)
Interest paid	(20)	(14)	(30)
Net cash inflow/(outflow) from operating activities	3,119	(3,777)	13,425
Investing activities:			
Interest received	25	40	49
Dividend received from associate	-	-	518
Purchases of property, plant and equipment	(9,009)	(6,724)	(13,976)
Proceeds from sales of property, plant and equipment	31	-	37
Acquisition of intangible fixed assets	(1,954)	(1,057)	(2,108)
Net cash used in investing activities	(10,907)	(7,741)	(15,480)
Financing activities:			
Dividends paid	(2,932)	(2,906)	(2,906)
Proceeds on issue of shares	-	-	1
Settlement of share awards	(333)	(299)	(1,504)
Disposal of own shares	338	-	1,029
Net cash used in financing activities	(2,927)	(3,205)	(3,380)
Net decrease in cash and cash equivalents	(10,715)	(14,723)	(5,435)
Cash and cash equivalents at beginning of period	21,858	27,293	27,293
Cash and cash equivalents at end of period	11,143	12,570	21,858

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Notes to the condensed financial statements
Six months ended 30 September 2013

1. General information

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The half-year results and condensed consolidated financial statements for the six months ended 30 September 2013 (the interim financial statements) comprise the results for the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The information for the year ended 31 March 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim financial statements for the six months ended 30 September 2013, have not been reviewed or audited.

2. Significant accounting policies

The accounting policies and methods of computation followed in the interim financial statements are consistent with those as published in the Group's Annual Report and Financial Statements for the year ended 31 March 2013, except for the adoption of the following standards which have had no quantitative impact on the financial statements:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- Amendment to IAS 27: Separate Financial Statements
- Amendment to IAS 28: Investments in Associates and Joint Ventures
- IFRS 13: Fair Value Measurement
- IAS 12: Deferred Tax
- IAS 19: Employee Benefits
- IFRS 7 (amended) and IAS 32 (amended): Disclosures – offsetting financial assets and financial liabilities
- IFRS 1 (amended): Government Loans
- IFRS 10, IFRS 12 and IAS 27 (amended): Investment Entities

The Annual Report and Financial Statements are available from the Group's website (www.mulberry.com) or from the Company Secretary at the Company's registered office, The Rookery, Chilcompton, Bath, England, BA3 4EH.

3. Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year results.

4. Taxation

The tax charge is calculated by applying the forecast full year effective tax rate to the interim profit.

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Notes to the condensed financial statements
Six months ended 30 September 2013

5. Earnings per share ('EPS') and share issue

	Six months 30 Sept 2013 P	Six months 30 Sept 2012 p	Year ended 31 Mar 2013 p
Basic earnings per share	8.7	12.9	32.2
Diluted earnings per share	8.6	12.9	32.0

Earnings per share is calculated based on the following data:

	Six months 30 Sept 2013 £'000	Six months 30 Sept 2012 £'000	Year ended 31 Mar 2013 £'000
Profit for the period for basic and diluted earnings per share	5,077	7,342	18,693
	30 Sept 2013 Million	**30 Sept 2012 Million**	**31 Mar 2013 Million**
Weighted average number of ordinary shares for the purpose of basic EPS	58.6	56.8	58.1
Effect of dilutive potential ordinary shares: share options	0.3	0.3	0.4
Weighted average number of ordinary shares for the purpose of diluted EPS	58.9	57.1	58.5

6. Acquisitions

On 19 November 2013, Mulberry entered into an agreement to purchase KJ Saint Honoré SA, a company registered in France for approximately €9 million. This company owns the rights to a lease for a store on Rue Saint-Honoré, Paris where it is planned to open a new flagship store during 2014/15. This acquisition is subject to various conditions being fulfilled by the vendor.