MULBERRY

MULBERRY GROUP PLC INTERIM STATEMENT
HALF YEAR TO 30 SEPTEMBER 2010

MULBERRY DELIVERS SIGNIFICANT SALES AND PROFIT GROWTH

HIGHLIGHTS

- Total revenues increased by 38% to £44.7 million (2009: £32.3 million)
- Retail sales up 30%, like-for-like up 29%
- Autumn/Winter 2010 orders up 100% compared to prior year. Wholesale shipments up 76%
- Gross margin up to 63.9% for the period (2009: 55.0%)
- Operating profit before exceptional costs of £1.0 million increased by 219% to £5.6 million (2009: £1.7 million before exceptional costs of £0.2 million)
- Profit before tax increased by 207% to £4.7 million (2009: £1.5 million)
- Strong balance sheet with cash of £12.3 million and no debt (2009: £4.3 million)
- New store openings in Hong Kong, Korea, Qatar and UAE
- Basic earnings per share up by 217% to 5.7 pence (2009: 1.8 pence)

CURRENT TRADING AND OUTLOOK

- Retail sales up 47% for the 10 weeks to 4 December 2010, like-for-like up 47%
- Like-for-like UK Retail sales in full price stores and department store concessions up by 66% for the 10 weeks to 4 December 2010
- Spring/Summer 2011 orders up 91% compared to prior year with four months of the selling season to go
- New store openings in Manchester, Sydney, Amsterdam as well as the flagship store on New Bond Street, London
- Expansion of the Somerset factory creating 60 new manufacturing jobs

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The Group has continued to deliver strong sales and profit growth during the six months to 30 September 2010. Sales increased 38% to £44.7 million (2009: £32.3 million).

Retail sales in our own stores have started the year well with the Autumn/Winter 2010 collection being well received. Retail sales for the six month period increased by 30% compared to the prior year (like-for-like up 29%).

UK Retail sales increased for the period by 27% (like-for-like up 26%). Our UK full price stores and concessions were up 36% (like-for-like up 35%). As a result of the strong sales for the Spring/Summer 2010 season, the Group had greatly reduced stocks available for the summer sale. Consequently, sales during this period were lower than they would have been otherwise. As previously announced however, once the sale had ended, like-for-like sales in our full price stores for the 10 weeks to 2 October 2010 were 79% higher than the prior year. Similarly, lower stocks have caused sales at our four outlet stores to remain in line with the prior year.

Sales through our website, www.mulberry.com, grew by 32% during the period, representing 7% of Group sales (2009: 7%). In addition to being a profitable and growing sales channel, the website is a key marketing tool for the brand.

In the USA, our business is trading significantly ahead of the plan that we set during October 2009, when we purchased two stores in New York and took back responsibility for the full distribution rights to the North American market. The stores have recorded sales increases of 102% compared to the prior year whilst our wholesale and online businesses have also increased satisfactorily. Under the terms of the purchase agreement, £1 million of deferred consideration will become payable to Challice Limited should the turnover in the North American market exceed a threshold of $6.0 million for the year ending 31 March 2012. Given the rapid growth currently being experienced in this market, it is deemed prudent to make this provision for this exceptional cost now. The £1 million consideration may be satisfied in either cash or shares at the option of the Group following the end of the financial year ended 31 March 2012.

In France, sales in our small Rue St Honore store increased by 189% compared to prior year.

Wholesale shipments to customers during the six months to 30 September 2010 were up 76% compared to the prior year. The Wholesale business includes sales to our European franchise partners, European and USA independent retailers and department stores as well as our international franchise partners who run Mulberry stores in Asia and the Middle East. In Asia, sales grew more quickly than the rest of the world with the Korean market being a leading contributor. Our partner stores report good sell through and that Mulberry's bestselling products are successful in all markets.

The order book for Autumn/Winter 2010 finished 100% ahead of the previous year. We have a mature wholesale business in the UK but despite this, orders increased by 46% compared to Autumn/Winter 2009, with particularly strong growth from Net-a-Porter and Selfridges. In the latter case, we opened a new larger shop-in-shop within their Oxford Street flagship store during May 2010 which resulted in a dramatic increase in business.

Gross profit margins have increased to 63.9% (2009: 55.0%). This significant increase in gross margin is a consequence of a higher proportion of sales being made at full retail price combined with a much reduced summer sale compared to the prior year because there was relatively little end of season stock for clearance. Underlying margins have also seen an increase of approximately 1% largely as a result of increased volume.

Net operating expenses for the period increased by £7.7 million to £24.0 million (2009: £16.3 million). The main elements of this increase were: £1.5 million variable rents and agents' commissions directly linked to the sales growth, £1.5 million non-recurring property costs arising largely from the fit out of the new flagship store that opened last week on New Bond Street and the new corporate headquarters due to be completed during March 2011, £1.3 million additional spend on advertising and promotion, £1.3 million increased employee costs and £1.0 million exceptional USA deferred consideration.

Operating profit before exceptional costs of £1.0 million increased by 219% to £5.6 million (2009: £1.7 million before exceptional costs of £0.2 million).

Profit before tax has increased 207% to £4.7 million in 2010 from £1.5 million in 2009.

The Group balance sheet remains strong with cash of £12.3 million and no debt.

During the period, new Mulberry stores have been opened by our partners in Hong Kong, Korea, Qatar and the UAE.

Bags and accessories remain our core business and continue to account for over 90% of Group sales. The Alexa handbag family has joined the successful Bayswater, Daria and Mitzy ranges as one of a stable of best sellers. In addition, we continue to develop and grow the women's apparel and women's shoe businesses.

The rapid increase in demand continues to pose a challenge for our sourcing team. We were unable to meet all of the demand during the period but the team has been very successful in progressively increasing production and efficiency.

CURRENT TRADING AND OUTLOOK

The strong consumer demand for Mulberry products experienced during the six months to 30 September 2010 continues.

During the 10 weeks to 4 December 2010, total Retail sales were 47% above last year with like-for-like sales up 47%. Within this figure, UK full price retail sales have grown by 66% like-for-like compared to the outlet business decline of 6% like-for-like, boosting margins.

The Spring/Summer 2011 season has started extremely strongly with the third party wholesale order book already 91% higher than the Spring/Summer 2010 closing position with four months selling yet to go.

During January 2011, we will deliver the new Tillie family of bags, which has been well received and will join the already strong product line up.

The Mulberry network of stores continues to develop. On 1 December 2010, we opened our new flagship store at 50 New Bond Street, London and closed the old flagship store at 40-41 New Bond Street. This week, we open our new Spinningfields store in Manchester.

CHAIRMAN'S STATEMENT

continued

The residual net book value of the fixed assets at 40-41 New Bond Street of £1.0 million was expensed during the previous financial year ended 31 March 2010. The landlord has now agreed to purchase back the lease on this property for a payment to the Group of £0.9 million. It is anticipated that this exceptional income will be recognised during the second half of the year when the transaction completes. The non-matching of this exceptional income and expenditure is a result of correctly applying the relevant accounting standards.

A new store has recently opened in Sydney, Australia as well as a concession in the De Bijenkorf department store, Amsterdam.

Looking further forward, we are in the final stages of agreeing terms on a new 5,000 sq.ft. flagship store on Spring Street, Soho, New York, which will mark the beginning of the next stage of development of our USA business.

During March 2011, the Group will move into its new London headquarters on Kensington Church Street, bringing all the London teams under one roof for the first time and providing excellent showroom facilities. The net cash cost of this project will be in the region of £4 million which will be incurred largely during the second half of the year.

We continue to build production capacity with our partners around the world, in order to meet the rapidly growing demand. In the UK, we have planning consent to expand our factory in Somerset and construction will start before the end of the current financial year. This will add more than 30% to our UK capacity and is projected to generate over 60 new manufacturing jobs, which will include school leavers who we will train under our apprenticeship scheme.

As for all luxury brands, Christmas trading and the January mark down sales are key contributors to revenue and profit for the financial year. With the UK VAT increase during January 2011, some uncertainty exists for the foreseeable future. The Group will not discount product during the lead up to Christmas.

On the basis of current trends, the Board expects the financial performance for the full year to be ahead of market expectations.

DIVIDENDS

The full year dividend of 2.2 pence per ordinary share was paid on 20 August 2010. In line with prior years, the Board is not recommending the payment of an interim dividend.

DIRECTOR CHANGES

During the period Edward Vandyk stepped down as a Director after eight years of service and Melissa Ong was appointed to the Board bringing considerable experience of the Asian markets.

STAFF

I would like to take this opportunity to thank all of our staff and our partners for their enthusiasm and commitment to Mulberry and its strategy. The significant achievements of the last six months would not have been possible without them.

Godfrey Davis
Chairman and Chief Executive

9 December 2010

CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2010

	Note	*Unaudited six months 30 Sept 2010 £'000*	*Unaudited six months 30 Sept 2009 £'000*	*Audited year ended 31 March 2010 £'000*
Revenue		44,668	32,316	72,052
Cost of sales		(16,128)	(14,528)	(29,565)
Gross profit		28,540	17,788	42,487
Other administrative expenses		(23,219)	(16,197)	(37,090)
Exceptional costs	4	(1,000)	(256)	(987)
Administrative expenses		(24,219)	(16,453)	(38,077)
Other operating income		235	150	446
Operating profit		4,556	1,485	4,856
Operating profit before exceptional costs		5,556	1,741	5,843
Share of results of associates		104	54	192
Finance income		62	10	74
Finance expense		(14)	(14)	(26)
Profit before tax		4,708	1,535	5,096
Tax	5	(1,445)	(508)	(2,124)
Profit for the period		3,263	1,027	2,972
Attributable to:				
Equity holders of the parent		3,263	1,027	2,972
		pence	*pence*	*pence*
Basic earnings per share	6	5.7	1.8	5.2
Diluted earnings per share	6	5.6	1.8	5.2

All activities arise from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2010

	Unaudited six months 30 Sept 2010 £'000	*Unaudited six months 30 Sept 2009 £'000*	*Audited year ended 31 March 2010 £'000*
Net profit for the period	3,263	1,027	2,972
Exchange differences on translation of foreign operations	(90)	(26)	(108)
Total comprehensive income for the period	3,173	1,001	2,864
Attributable to:			
Equity holders of the parent	3,173	1,001	2,864

CONSOLIDATED BALANCE SHEET

At 30 September 2010

	Unaudited 30 Sept 2010 £'000	*Unaudited 30 Sept 2009 £'000*	*Audited 31 March 2010 £'000*
Non-current assets			
Intangible assets	2,528	2,568	2,499
Property, plant and equipment	8,781	8,603	7,876
Interests in associates	300	351	347
Deferred tax assets	193	–	38
	11,802	11,522	10,760
Current assets			
Inventories	12,883	12,268	9,090
Trade and other receivables	16,720	7,207	8,263
Cash and cash equivalents	12,329	4,267	12,171
	41,932	23,742	29,524
Total assets	53,734	35,264	40,284
Current liabilities			
Trade and other payables	(24,043)	(10,259)	(12,197)
Current tax liabilities	(1,567)	(498)	(1,622)
	(25,610)	(10,757)	(13,819)
Non-current liabilities			
Deferred tax liabilities	–	(71)	–
Total liabilities	(25,610)	(10,828)	(13,819)
Net assets	28,124	24,436	26,465
Equity			
Share capital	2,943	2,871	2,943
Share premium account	7,007	7,007	7,007
Own share reserve	(631)	(34)	(107)
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,467
Foreign exchange reserve	295	467	385
Retained earnings	16,889	12,504	14,616
Total equity	28,124	24,436	26,465

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2010

	Equity attributable to equity holders of the parent							
	Share capital £'000	*Share premium account £'000*	*Own share reserve £'000*	*Capital reserves £'000*	*Special reserves £'000*	*Foreign exchange reserve £'000*	*Retained earnings £'000*	*Total £'000*
As at 1 April 2009	2,871	7,007	(49)	154	1,467	493	12,441	24,384
Total comprehensive income for the period	–	–	–	–	–	(26)	1,027	1,001
Charge for employee share-based payments	–	–	–	–	–	–	184	184
Own shares	–	–	15	–	–	–	–	15
Ordinary dividends paid	–	–	–	–	–	–	(1,148)	(1,148)
As at 30 September 2009	2,871	7,007	(34)	154	1,467	467	12,504	24,436
Total comprehensive income for the period	–	–	–	–	–	(82)	1,999	1,917
Issued share capital	72	–	–	–	–	–	–	72
Charge for employee share-based payments	–	–	–	–	–	–	113	113
Own shares	–	–	(73)	–	–	–	–	(73)
As at 31 March 2010	2,943	7,007	(107)	154	1,467	385	14,616	26,465
Total comprehensive income for the period	–	–	–	–	–	(90)	3,263	3,173
Charge for employee share-based payments	–	–	–	–	–	–	275	275
Own shares	–	–	(524)	–	–	–	–	(524)
Ordinary dividends paid	–	–	–	–	–	–	(1,265)	(1,265)
As at 30 September 2010	2,943	7,007	(631)	154	1,467	295	16,889	28,124

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2010

	Unaudited six months 30 Sept 2010 £'000	*Unaudited six months 30 Sept 2009 £'000*	*Audited year ended 31 March 2010 £'000*
Operating profit for the period	4,556	1,485	4,856
Adjustments for:			
Depreciation of property, plant and equipment	984	907	2,879
Amortisation of intangible assets	167	145	289
Loss on sale of property, plant and equipment	–	–	74
Effects of foreign exchange	(6)	22	(14)
Share-based payments charge	275	184	351
Operating cash flows before movements in working capital	5,976	2,743	8,435
(Increase)/decrease in stocks	(3,793)	2,562	5,740
Increase in debtors	(8,623)	(1,177)	(2,065)
Increase/(decrease) in creditors	11,784	(450)	829
Cash generated by operations	5,344	3,678	12,939
Corporation taxes paid	(1,655)	(1,095)	(1,693)
Interest paid	(14)	(14)	(26)
Net cash from operating activities	3,675	2,569	11,220
Investing activities:			
Interest received	62	10	74
Dividend received from associate	308	–	–
Purchases of property, plant and equipment	(1,827)	(659)	(1,365)
Proceeds from sale of property, plant and equipment	–	–	6
Acquisition of intangible fixed assets	(271)	(215)	(340)
Net cash used in investing activities	(1,728)	(864)	(1,625)
Financing activities:			
Dividends paid	(1,265)	(1,148)	(1,148)
Proceeds on issue of shares	–	–	72
Acquisition of own shares	(524)	–	(58)
Net cash used in financing activities	(1,789)	(1,148)	(1,134)
Net increase in cash and cash equivalents	158	557	8,461
Cash and cash equivalents at beginning of period	12,171	3,710	3,710
Cash and cash equivalents at end of period	12,329	4,267	12,171

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 September 2010

1. **General information**

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The half-year results and condensed consolidated financial statements for the six months ended 30 September 2010 (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 2010 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 auditors 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 2010, 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 2010, except for the adoption of the following Standards and Interpretations which have not had a material impact on the interim financial statements:

- IFRS3 (revised 2008) – Business Combinations
- IAS38 (amendment) – Intangible assets
- IAS36 (amendment) – Impairment of assets
- IAS27 (revised) – Consolidated and separate financial statements
- IAS39 (amendment) – Eligible hedge items

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 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. **Exceptional items**

On 5 October 2009, a transaction to assume operational control of the two New York stores and the distribution rights to the North American market previously held by our joint venture partner, Mulberry USA LLC, was completed. As part of the agreement, deferred consideration of up to £1 million, will become payable to Challice Limited (the previous 50% shareholder of Mulberry USA LLC and the majority shareholder of Mulberry Group plc) on a stepped basis if sales generated from the USA operations during the third year post completion exceed certain agreed thresholds. The consideration will be payable in cash or, at Mulberry Group plc's option, new Mulberry shares, the number of shares being calculated at the then prevailing share price. Following the growth in the USA operations, as at 30 September 2010 the Directors have concluded that it is probable that the deferred consideration will become payable. As such a provision for the £1 million has been made and disclosed as an exceptional item within the Income Statement.

As part of the Group's future growth strategy, the decision was made during to year ended 31 March 2010 to relocate the flagship New Bond Street store to an alternative site on New Bond Street. Consequently, the residual net book value of the leasehold improvements and fixtures and fittings at the existing store on the anticipated date of closure of £987,000 was deemed to be impaired. Given the one-off nature and size of the impairment, the costs were disclosed separately

4. **Exceptional items (continued)**

on the face of the Income Statement. The Directors do not expect to incur any lease costs beyond the date of the closure of the store and so no further provision has been made. Furthermore, an agreement has been made with the landlord to purchase back the lease of the old New Bond Street store in return for a payment to the Group of £0.9 million. It is anticipated that this exceptional income will be recognised during the second half of the year when the transaction completes.

The exceptional expense appearing on the face of the Income Statement for the period to 30 September 2009 relates to the transaction fees associated with the North American acquisition covered in more detail above.

5. **Taxation**

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

6. **Earnings per share ('EPS') and share issue**

	Six months 30 Sept 2010 p	*Six months 30 Sept 2009 p*	*Year ended 31 March 2010 p*
Basic earnings per share	5.7	1.8	5.2
Diluted earnings per share	5.6	1.8	5.2
Adjusted basic earnings per share	7.6	1.8	6.9
Adjusted diluted earnings per share	7.5	1.8	6.9

	Six months 30 Sept 2010 £'000	*Six months 30 Sept 2009 £'000*	*Year ended 31 March 2010 £'000*
Earnings per share is calculated based on the following data:			
Profit for the period for basic and diluted earnings per share	3,263	1,027	2,972
Adjustment for exceptional costs	1,000	256	987
Adjusted profit for the period for adjusted basic and diluted earnings per share	4,263	1,283	3,959

	30 Sept 2010 million	*30 Sept 2009 million*	*31 March 2010 million*
Weighted average number of ordinary shares for the purpose of basic EPS	57.3	57.4	57.4
Effect of dilutive potential ordinary shares: share options	0.7	–	0.1
Weighted average number of ordinary shares for the purpose of diluted EPS	58.0	57.4	57.5

On 8 October 2009, 1,450,000 5p ordinary shares were issued at par. These shares were issued to the Mulberry Group plc Employee Share Trust for share awards.

NOTES

Printed on ClaroSilk, which is a coated wood free silk paper and board made with elemental chlorine free (ECF) pulp from certified sources.

MULBERRY GROUP PLC THE ROOKERY CHILCOMPTON SOMERSET BA3 4EH
T. 01761 234 500 F. 01761 234 555 MULBERRY.COM