MULBERRY

MULBERRY GROUP PLC ("Mulberry" or the "Group")
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Mulberry Group plc, the English luxury brand, is pleased to announce its results for the six months ended 30 September 2012.

FINANCIAL HIGHLIGHTS

- Total revenue up 6% to £76.5 million (2011: £72.3 million)
  - Retail revenue up 13% to £46.5 million, up 7% like-for-like (online revenue up 44%)
  - Wholesale revenue down 4% to £30.0 million, reflecting account rationalisation and a more challenging environment
- Gross margin down to 61.3% (2011: 66.2%), largely reflecting quality initiatives, and expected to recover partially in the second half of the year
- Operating costs up £4.6 million, of which £3.7 million results from an increased number of directly operated international stores
- As a result, profit before tax down 36% to £10.0 million (2011: £15.6 million)

OPERATING HIGHLIGHTS

- Reinforcing luxury positioning to drive sustainable growth
- Eight new international stores opened during the period in Europe, North America and South Korea
- Commenced construction of second UK factory

CURRENT TRADING AND OUTLOOK

- Encouraging start to the second half of the year with retail revenue up 19% for the nine weeks to 1 December 2012, like-for-like sales up 11%
- Four new stores opened since 30 September 2012; on track to open 17 to 20 new stores during the 2012/13 financial year
- Although dependent upon Christmas trading, full year revenue and profit are anticipated to be in line with market expectations

BRUNO GUILLON, CHIEF EXECUTIVE, COMMENTED:

"Mulberry has delivered 6% sales growth for the period. The UK retail business and key wholesale accounts have continued to perform well in the context of a challenging economic environment. The international retail rollout is on track with 17 to 20 new store openings expected for the full year. Profit before tax for the period was below last year, mainly reflecting quality initiatives and increased investment in international retail expansion to drive future growth.

We continue to focus on creativity, craftsmanship and quality and will place great emphasis on reinforcing Mulberry's luxury positioning through the quality of our products, retail experience, marketing communications and choice of distribution channels. During the period, we have rationalised certain wholesale accounts and refocused the outlet business which has impacted financial performance in the short term. However we firmly believe that this is in the long term interests of transforming Mulberry into a global luxury brand.

British leather craftsmanship is central to our brand and we have now commenced construction of our second UK factory which will create 300 new jobs and open during the summer of 2013."

FOR FURTHER DETAILS PLEASE CONTACT:

Pelham Bell Pottinger
Daniel de Belder / Lucy Miles 0797 792 7142 / 0792 047 7184

Mulberry Investor Relations
Amelia Fincher 0207 605 6771

Altium
Ben Thorne / Melanie Szalkiewicz 0207 484 4040

Barclays
Jon Bathard-Smith / Nicola Tennent 0203 134 9803

MULBERRY

Chief Executive's report

During the six months to 30 September 2012, Mulberry has continued to grow revenue whilst using our strong balance sheet to invest for future growth.

Sales increased 6% to £76.5 million for the six months to 30 September 2012 (2011: £72.3 million), reflecting growth in retail sales, partially offset by a decline in wholesale sales.

RETAIL

The retail business saw continued growth with revenues up 13% to £46.5 million (2011: £41.0 million) and up 7% like-for-like.

UK retail sales were up 9% to £39.2 million (2011: £35.8 million). UK full price sales performed well, up 14% compared with the same period last year, despite a challenging economic climate. UK outlet sales were weaker, down 13%, in part due to a strategic decision to cease making product specifically for the outlet business.

International retail sales were up 40% to £7.3 million (2011: £5.2 million). During the period we opened stores in San Francisco, New Jersey and Zurich and a shop-in-shop in Berlin. We remain confident in our international expansion strategy.

Online sales, which are included within the two geographic segments above, were up 44% to £6.9 million for the first half of the year, accounting for 9% of Group sales (2011: 7%).

WHOLESALE

Wholesale revenue was down 4% to £30.0 million (2011: £31.3 million), reflecting three factors:

- A strategic decision to rationalise certain international wholesale accounts in order to improve the quality of Mulberry's distribution network, which will result in a reduction in wholesale sales in the current year;
- A more challenging external environment in Asia, resulting in cautious ordering by franchise partners; and
- Tough half year comparatives which were boosted by the restocking of the wholesale channel last year.

The steps we are taking to improve the quality of the wholesale distribution network are expected to have a positive impact on wholesale sales growth in the future.

During the period, our South Korean partner opened three more stores in Seoul and one in Cheonan.

FINANCIAL

Gross margin declined to 61.3% (2011: 66.2%) due largely to the cost of quality improvements in raw materials and manufacturing techniques. Gross margin is expected to recover partially during the second half of the year as a result of the seasonal sales mix and price rises implemented during November 2012.

Net operating expenses for the period increased by £4.6 million to £37.1 million (2011: £32.5 million). Of the increase, £3.7 million related to the costs of new directly operated international stores.

Due to the decline in gross margin and the accelerated investment in international retail expansion, profit before tax fell 36% to £10.0 million (2011: £15.6 million).

Inventories have increased to £36.9 million from £32.5 million at the start of the period reflecting in part the growth in the business, but also lower sales than originally anticipated. Overall, the Group balance sheet remains strong with cash of £12.6 million at 30 September 2012 (2011: £16.7 million) and no debt.

Capital expenditure for the period was £8.3 million and is planned to be around £20 million for the full year, with more than half representing store expenditure. This continues to be funded from internally generated cashflow.

STRATEGY

Over the last six months, we have continued to evolve and implement the Group's long term strategy. The key challenge for the management team will be to transform a British success story into a global success story and in this context our four key strategic themes are outlined below:

1. Reinforce luxury positioning:

A key element of the Group's strategy is to reinforce Mulberry's luxury positioning, adapting to meet the needs of international luxury consumers, whilst retaining the UK customer base. Five key areas of focus will be:

- Quality: Commitment to high quality leather craftsmanship. In the first half we have continued to make product quality enhancements, including in our leather and components sourcing;
- Made in England: This is central to Mulberry's brand identity and we will continue to expand our UK production base. We have commenced construction of our second English factory and are reviewing availability of additional facilities;
- Marketing communications: To reflect Mulberry's luxury positioning, heritage and craftsmanship;
- Distribution: Consistent luxury positioning in all distribution channels. For example, we have developed an updated store concept which was recently launched in our relocated Edinburgh store and which supports all product categories. In addition we have upgraded the wholesale distribution network in Europe which is having an adverse impact on wholesale sales during the 2012/13 financial year but is expected to drive high quality sales growth over the medium term; and
- Service: Excellence of customer experience, continuing to build service capability through recruitment and training.

2. International expansion:

International expansion is a key growth driver for Mulberry as the brand has a substantial business in the UK, Scandinavia and South Korea with more limited penetration in other markets. While continuing to support the UK business, we are prioritising expansion in the large luxury markets of Western Europe (with a focus on tourist locations), North America, China and Japan.

Mulberry's international distribution strategy includes both retail and wholesale channels:

- Retail: Directly operated stores and shop-in-shops, supported by the global online platform www.mulberry.com
- Wholesale: Partner operated stores and shop-in-shops and key wholesale accounts.

Eight international stores were opened during the first half of the year and we are on track to open 17 to 20 stores by March 2013. We are making good progress in identifying appropriate new store locations and continue to target 15 to 20 new store openings per annum, being a combination of both directly operated and partner stores.

3. Product development

Creativity and craftsmanship anchor Mulberry's business and the Group is focused on the continued development of handbags and other existing categories:

- Handbags to remain our core category. Focus on creativity, innovation and quality, introducing new designs and broadening colour and finish options for established styles;

- Expand the offer in selected categories: Increase the product offering in women's shoes, small leather goods and fashion accessories such as belts and scarves, offering a greater selection of styles and colours;
- Reinforce men's accessories range: Expand the range, adapt for the international customer and support the men's business with dedicated men's departments in new stores; and
- Continued creativity in ready-to-wear: Focus on creativity in ready-to-wear as an important category for building global brand awareness.

4. Leverage operations to support growth

We continue to pursue a balanced investment programme covering new store openings, production facilities, supply chain and IT systems to build the foundations for continued future growth.

We will also continue to invest in people, building our internal skill base in all areas of the business. Our new factory in Somerset will create 300 new jobs and we are committed to recruiting and training skilled leather craftspeople.

In light of Mulberry's growing geographic footprint, we have recently completed a restructuring of the commercial side of the business, appointing regional heads for Europe and North America. The new structure is designed to bring consistency and co-ordination between the retail and wholesale businesses and drive international growth through regional focus and accountability.

In line with the Group's strategy, the Appointments and Remuneration Committee of the Board has approved a new long term incentive plan which has been designed to incentivise and retain key management by rewarding the delivery of profitable growth. The new plan is performance based and has been developed in accordance with best practice. The new scheme replaces the existing incentive plan and the first performance related options under this plan will be issued during December 2012.

CURRENT TRADING AND OUTLOOK

Based on trading in the second half year to date, the outlook for the six months to 31 March 2013 is encouraging, despite the challenging economic environment.

During the nine weeks to 1 December 2012, total Retail sales were 19% above the same period last year. Like-for-like sales were up 11% during the period.

During the second half of the year we continue to expect the impact of the wholesale account rationalisation and cautious ordering by partners to drive a decline in wholesale revenue, expected to be approximately 10% for the full year.

We continue to focus on developing the Mulberry store network through directly operated and partner operated stores. Since 30 September 2012 we have opened a flagship store in Singapore, standalone stores in Frankfurt Airport and Washington DC, and a shop-in-shop in Munich.

Before the end of the current financial year, we expect to open a further five to eight stores, two of which will be in China. This will bring the total worldwide openings for the financial year to 17 to 20.

Although dependent on the important Christmas trading period, we currently anticipate full year revenue and profit to be in line with market expectations. We remain confident in the long term opportunity and outlook for the business.

DIVIDENDS

The full year dividend of 5.0 pence per ordinary share was paid on 17 September 2012. In line with prior years, the Board is not recommending the payment of an interim dividend.

Bruno Guillon
Chief Executive
6 December 2012

MULBERRY

Consolidated income statement
Six months ended 30 September 2012

	Note	Unaudited six months 30 Sept 2012 £'000	Unaudited six months 30 Sept 2011 £'000	Audited year ended 31 Mar 2012 £'000
Revenue		76,495	72,263	168,451
Cost of sales		(29,641)	(24,431)	(56,964)
Gross profit		46,854	47,832	111,487
Administrative expenses		(37,248)	(32,765)	(76,565)
Other operating income		179	297	495
Operating profit		9,785	15,364	35,417
Share of results of associates		197	164	562
Finance income		37	38	72
Finance expense		(14)	(5)	(50)
Profit before tax		10,005	15,561	36,001
Tax	4	(2,663)	(4,304)	(10,700)
Profit for the period		7,342	11,257	25,301
Attributable to:				
Equity holders of the parent		7,342	11,257	25,301
		Pence	**Pence**	**Pence**
Basic earnings per share	5	12.9	19.6	43.9
Diluted earnings per share	5	12.9	19.2	43.4

All activities arise from continuing operations.

Consolidated statement of comprehensive income
Six months ended 30 September 2012

	Unaudited six months 30 Sept 2012 £'000	Unaudited six months 30 Sept 2011 £'000	Audited year ended 31 Mar 2012 £'000
Net profit for the period	7,342	11,257	25,301
Exchange differences on translation of foreign operations	(160)	(23)	(207)
Total comprehensive income for the period	7,182	11,234	25,094
Attributable to:			
Equity holders of the parent	7,182	11,234	25,094

MULBERRY

Consolidated balance sheet
At 30 September 2012

	Unaudited 30 Sept 2012 £'000	Unaudited 30 Sept 2011 £'000	Audited 31 Mar 2012 £'000
Non-current assets			
Intangible assets	4,771	2,778	3,984
Property, plant and equipment	28,459	20,712	24,212
Interests in associates	507	321	357
Deferred tax assets	90	275	-
	33,827	24,086	28,553
Current assets			
Inventories	36,867	29,124	32,546
Trade and other receivables	17,189	13,645	14,912
Cash and cash equivalents	12,570	16,694	27,293
	66,626	59,463	74,751
Total assets	100,453	83,549	103,304
Current liabilities			
Trade and other payables	(31,226)	(31,002)	(34,627)
Current tax liabilities	(2,589)	(4,409)	(6,188)
	(33,815)	(35,411)	(40,815)
Non-current liabilities			
Deferred tax liability	-	-	(26)
Total liabilities	(33,815)	(35,411)	(40,841)
Net assets	66,638	48,138	62,463
Equity			
Share capital	2,983	2,958	2,982
Share premium account	11,578	7,427	11,578
Own share reserve	(3,756)	(607)	(3,966)
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,467
Foreign exchange reserve	19	363	179
Retained earnings	54,193	36,376	50,069
Total equity	66,638	48,138	62,463

MULBERRY

Consolidated statement of changes in equity
Six months ended 30 September 2012

	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 2011	2,943	7,007	(621)	154	1,467	386	30,696	42,032
Total comprehensive income for the period	-	-	-	-	-	(23)	11,257	11,234
Issued share capital	-	420	-	-	-	-	-	420
Charge for employee share based payments	-	-	-	-	-	-	390	390
Exercise of share options	15	-	14	-	-	-	(3,657)	(3,628)
Ordinary dividends paid	-	-	-	-	-	-	(2,310)	(2,310)
As at 30 September 2011	2,958	7,427	(607)	154	1,467	363	36,376	48,138
Total comprehensive income for the period	-	-	-	-	-	(184)	14,044	13,860
Issued share capital	10	3,362	-	-	-	-	-	3,372
Charge for employee share based payments	-	-	-	-	-	-	311	311
Exercise of share options	14	789	(14)	-	-	-	(662)	127
Own shares	-	-	(3,345)	-	-	-	-	(3,345)
As at 31 March 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

MULBERRY

Consolidated cash flow statement
Six months ended 30 September 2012

	Unaudited six months 30 Sept 2012 £'000	Unaudited six months 30 Sept 2011 £'000	Audited year ended 31 Mar 2012 £'000
Operating profit for the period	9,785	15,364	35,417
Adjustments for:			
Depreciation of property, plant and equipment	2,628	1,896	3,992
Amortisation of intangible assets	354	138	494
Loss/(profit) on sale of property, plant and equipment	32	6	(8)
Effects of foreign exchange	146	(45)	(109)
Share based payments charge	536	390	701
Operating cash flows before movements in working capital	13,481	17,749	40,487
Increase in stocks	(4,273)	(6,663)	(10,151)
Increase in debtors	(2,271)	(1,713)	(2,750)
(Decrease)/increase in creditors	(4,321)	(239)	2,530
Cash generated by operations	2,616	9,134	30,116
Corporation taxes paid	(6,379)	(4,180)	(8,495)
Interest paid	(14)	(5)	(50)
Net cash (outflow)/inflow from operating activities	(3,777)	4,949	21,571
Investing activities:			
Interest received	40	76	96
Dividend received from associate	-	214	408
Purchases of property, plant and equipment	(6,724)	(3,598)	(8,632)
Proceeds from sales of property, plant and equipment	-	-	33
Acquisition of intangible fixed assets	(1,057)	(784)	(2,153)
Net cash used in investing activities	(7,741)	(4,092)	(10,248)
Financing activities:			
Dividends paid	(2,906)	(2,310)	(2,310)
Proceeds on issue of shares	-	435	818
Cash settlement of share awards	(299)	(3,661)	(4,358)
Acquisition of own shares	-	-	447
Net cash used in financing activities	(3,205)	(5,536)	(5,403)
Net (decrease)/increase in cash and cash equivalents	(14,723)	(4,679)	5,920
Cash and cash equivalents at beginning of period	27,293	21,373	21,373
Cash and cash equivalents at end of period	12,570	16,694	27,293

MULBERRY

Notes to the condensed financial statements
Six months ended 30 September 2012

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 2012 (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 2012 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 2012 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 2012.

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

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. Thus, 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.

Notes to the condensed financial statements
Six months ended 30 September 2012

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

	Six months 30 Sept 2012 p	Six months 30 Sept 2011 p	Year ended 31 Mar 2012 p
Basic earnings per share	12.9	19.6	43.9
Diluted earnings per share	12.9	19.2	43.4

Earnings per share is calculated based on the following data:

	Six months 30 Sept 2012 £'000	Six months 30 Sept 2011 £'000	Year ended 31 Mar 2012 £'000
Profit for the period for basic and diluted earnings per share	7,342	11,257	25,301

	30 Sept 2012 million	30 Sept 2011 million	31 Mar 2012 million
Weighted average number of ordinary shares for the purpose of basic EPS	56.8	57.5	57.6
Effect of dilutive potential ordinary shares: share options	0.3	1.1	0.7
Weighted average number of ordinary shares for the purpose of diluted EPS	57.1	58.6	58.3