

Mulberry

Mulberry Group plc Results for the twenty six weeks ended 28 September 2019

Direct to customer and International strategy advanced, challenging UK market conditions

Mulberry Group plc ("the Group" or "Mulberry"), the British luxury brand, announces unaudited results for the twenty six weeks ended 28 September 2019 (the "period").

FINANCIAL SUMMARY

- Revenue of £68.9 million (2018: £68.3 million) with International up 12% and UK down 4%
- Loss before tax and IFRS 16 of £9.9 million¹ (2018: £8.2 million²) including further investment costs and the effect of a challenging UK market
- Net cash of £6.4 million³ at period end (2018: £12.1 million) with inventory reduced 18%

BUSINESS AND STRATEGIC HIGHLIGHTS

- Direct to customer sales⁴ account for circa 90% of Group revenue (2018: 84%)
- Asia represents 14% of Group revenue (2018: 9%) with 32 Retail stores at period end (2018: 28)
- Mulberry Korea now a wholly owned subsidiary
- Global Digital sales grew 23%
- UK business impacted by an increasingly promotion led environment and lower traffic to stores
- Newly launched bags represent over 80% of full price bag sales, with two new popular styles, Millie and Iris

CURRENT TRADING AND OUTLOOK

- Retail sales reflect similar trends with International up and the UK challenging
- Asia is generating double digit sales growth and the Board is confident this momentum will continue
- Against an uncertain backdrop in the UK and with the important Christmas period ahead, the Board expects the Group to trade profitably and to generate cash during the second half of the financial year

THIERRY ANDRETTA, CHIEF EXECUTIVE OFFICER, COMMENTED:

"We have made further progress with our strategy through continued investment in a direct to customer, International, Digital and omni-channel model.

We are seeing the benefit of recent initiatives in Asia which remains a significant growth opportunity. This will support our ambition for International to become a greater proportion of Group revenue.

As part of our approach to sustainability, we are progressing the use of recycled materials and sourcing 65% of our leathers from environmentally certified tanneries while maintaining an accessible luxury price positioning.

Looking forward, we will continue to build Mulberry as a global luxury brand with a strong focus on sustainability and innovative product, appealing to both our existing customers and new audiences."

1 The net impact of IFRS 16 'Leases' on loss before tax for the period was £1.1 million

2 2018 loss before tax is stated after £2.1 million of one off costs in respect of House of Fraser administration

3 Net cash comprises cash balances of £11.7 million less bank borrowings of £5.3 million (this excludes loans from related parties and controlling interests of £4.3 million)

4 Direct to customer represents sales generated through all Mulberry stores, department store concessions and digital channels

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FOR FURTHER DETAILS PLEASE CONTACT:

| | |
|---|---------------|
| HEADLAND Lucy Legh / Emma Ruttle | 020 3805 4822 |
| MULBERRY INVESTOR RELATIONS Allegra Perry | 020 7605 6795 |
| GCA ALTium Sam Fuller / Tim Richardson | 020 7484 4040 |
| BARCLAYS Nicola Tennent / Stuart Muress | 020 3134 9801 |

ABOUT MULBERRY

Mulberry, founded in Somerset in 1971, is a British luxury brand with a rich heritage in leather craftsmanship combined with a sustainable approach. The Group is pursuing a strategy to become a global luxury brand through international development and extension of its lifestyle ranges. Mulberry operates a direct to customer model with 102 owned stores and 21 franchise partner stores across 25 countries (as at 28 September 2019), with a strong focus on further enhancing its Digital business and omni-channel capability.

1. BUSINESS AND STRATEGY REVIEW

Overview

During the period, the Group progressed its strategy to develop Mulberry as a global luxury brand through a direct to customer model, in particular through continued investment in its recently established Retail territories in Asia. Direct to customer sales, i.e. those generated through Mulberry stores, department store concessions and digital channels, account for approximately 90% of Group revenue during the period (2018: 84%).

Asia accounts for 14% of Group revenue (2018: 9%). As part of the Group's ongoing investment in the region, recently established local management teams are focused on implementing the Group's direct to customer model with strategically positioned stores, targeted marketing activities and enhanced Digital and omni-channel capability.

The UK accounts for 65% of Group revenue (2018: 68%). Trading conditions remained challenging with subdued demand from domestic UK customers and an increasingly promotion led market. Performance in this market significantly affected the Group's results during the period. The Board continues to focus on advancing its direct to customer model and enhancing its sector leading Digital and omni-channel platform.

The Group made a loss before tax and IFRS 16 of £9.9 million (please refer to the reconciliation of adjusted loss/profit before tax and IFRS 16 on pages 16 and 17) reflecting elevated investment in International markets as well as the effect of a challenging UK market. Due to the increased proportion of revenue generated from selling through direct to customer channels, the phasing of the Group's profits has become increasingly second half weighted.

The Group continues to make the necessary preparations for potential Brexit outcomes. An internal committee regularly assesses the likely primary impacts of various Brexit scenarios including a potential further deterioration in UK consumer sentiment, foreign currency fluctuations, import and export duty rate changes and supply chain disruption.

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Strategic goals

The Group continued to progress its four key strategic pillars:

1. Direct to customer model

Through its direct to customer model, the Group aims to enhance the customer experience and drive engagement across its global omni-channel, Digital and store network.

Stores

The Group is enhancing the global store portfolio through selective openings and closures with the continued roll out of the new Mulberry store concept.

The store network at the period end was as follows:

| Number of stores as at: | 28-Sep 2019 | 22-Sep 2018 | Total change (this period vs last period) |
|---|-------------|-------------|---|
| China, Hong Kong, Taiwan | 7 | 6 | +1 |
| Japan | 7 | 5 | +2 |
| South Korea | 18 | 17 | +1 |
| Total Asia Retail | 32 | 28 | +4 |
| Europe | 7 | 9 | -2 |
| North America | 8 | 7 | +1 |
| Total International Retail | 47 | 44 | +3 |
| Total International Franchise Partner | 21 | 19 | +2 |
| Total International (Retail & Franchise Partner) | 68 | 63 | +5 |
| | | | |
| Total UK Retail | 55 | 43 | +12 |
| Total Group Retail | 102 | 87 | +15 |
| Total Group (Retail & Franchise Partner) | 123 | 106 | +17 |

In the UK, the Group operated 55 Retail stores at the end of the period, with 19 John Lewis concessions and 14 House of Fraser concessions. During the period, the Group further rebalanced the concession portfolio with the opening of 4 John Lewis locations and the closure of 3 House of Fraser locations. The Group will continue to manage the business proactively and focus on optimising the UK store network.

The new Mulberry store concept includes innovative, customer facing technology to enhance the in store experience. The new store concept has been introduced to 11 stores in the UK and 13 stores in International markets as of 13 November 2019 and has generated a positive customer reaction. The Group plans to complete the global roll out of the new store concept in coming years.

Digital and Omni-channel

The Group continues to develop its Digital and omni-channel platform with enhanced functionality and localisation introduced to mulberry.com and further development of its network of digital concessions. Global Digital sales increased 23% during the period.

Following the recent launch of local fulfilment in Japan and in Australia, mulberry.com sites with enhanced localised customer services are due to launch in other markets including China and the Middle East, as well as local fulfilment in South Korea. In the UK, omni-channel services were further extended, with the launch of same day delivery in all standalone Retail stores.

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During the period, the Mulberry global digital store was launched on Farfetch, the leading global technology platform for the luxury fashion industry. The Farfetch partnership complements other Mulberry digital concessions which have been recently established in China including Tmall (Alibaba), Secoo and JD.com. The Digital concession model is expected to be further developed with new strategic partnerships.

Marketing and Brand

The Group remains focused on enhancing the customer experience and driving engagement whilst enhancing Mulberry's focus on developing a market leading approach to sustainability across its products, materials, supply chain and people.

The Group has shifted an increasing portion of marketing investment to digital and social media channels. A new format for seasonal collection launches reinforces the direct to customer model and delivers innovative customer experiences, offering an instantly shoppable, real time experience.

During the period, the Group held an immersive set of global events as part of its 'My Local' series taking inspiration from the British pub. The concept was replicated across key international cities including Tokyo, Seoul and New York City.

2. International development

Sales generated from International markets represent 35% of Group revenue (2018: 32%) and are expected to continue to rise, driven by Asia which continues to represent a significant growth opportunity and a key strategic focus for the Group.

The International store network totaled 68 stores as at 28 September 2019 (2018: 63), including 47 Retail stores, of which 32 are in Asia, and 21 franchise partner stores.

During the period, the focus has remained on developing Mulberry in Asia:

- South Korea: The Retail store network was further enhanced during the period with the relocation of the Lotte Busan store. In addition to these enhancements and continued targeted marketing investment, new management in Seoul has been introduced and the Group's merchandising systems were implemented. Mulberry Korea became a wholly owned subsidiary during July 2019 following the purchase of the 40% of shares which the Group did not already own. The sales performance on a comparable basis has been strong in recent months.
- China, Hong Kong, Taiwan: The Group's Retail and Digital and omni-channel platform was further enhanced and whilst progress in China and Taiwan has been promising, trading in Hong Kong has been significantly affected by ongoing disruption in this market.
- Japan: A customer event, #MulberryxTokyo, was held in Tokyo, Japan during August 2019, featuring the 'My Local' series and taking inspiration from the British pub, with accompanying musical and interactive events, a pop up shop in Isetan Shinjuku which introduced a limited edition bag and the launch of the Group's Japanese social media channel with LINE. Whilst Japan remains a relatively nascent market for Mulberry with 7 stores (2018: 5 stores), momentum has accelerated since the event driven by a particularly strong performance from a new soft bag, Iris.

In other international markets, the Group continues to refine and enhance its presence. A store was opened during April 2019 in Rockefeller Center, New York on 5th Avenue, the first in this market to introduce the new store concept. Digital and omni-channel sales in the US grew by double digits. In Europe, sales in the Group's Paris store were affected by the well documented social disruption.

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3. Product

The Group continues to introduce innovative and distinctive leather goods with a focus on enhancing the sustainability of collections with an accessible luxury positioning for women and men and further develop complementary lifestyle products.

Newly launched women's bags continue to enhance well established ranges and represent over 80% of full price bag sales. Product innovation remains a focus, with the successful launch during the period of Millie and Iris, two new soft bags. The Amberley remained the bestselling bag family for the third consecutive season. The mini bag range has been further extended and enhanced and has delivered positive results. A personalisation offer has been introduced and will continue to be developed during coming seasons.

A new direction for men's leather accessories, introduced during the Autumn Winter 2019 season, is aimed at attracting the Digital, fashion forward customer and has generated encouraging momentum with the newly created Urban family becoming a bestseller.

Lifestyle categories, including ready to wear, shoes, soft accessories, jewellery and eyewear continue to be developed with a strong performance from new trainer styles and sunglasses.

On 5 November 2019, the Group launched a new collaboration with Swedish fashion brand, Acne Studios, featuring leather accessories incorporating the Swedish design of Acne Studios with the British heritage of Mulberry. The capsule collection enables Mulberry to offer an innovative range to new and existing customers.

4. UK Manufacturing

The Group maintains its distinctive "Made in England" positioning through further enhancement of its two UK factories in Somerset, which became carbon neutral during 2019. Investment will continue to ensure the Group's heritage in leather craftsmanship is protected and developed.

The Group is further developing sustainable product ranges, including the use of recycled materials and maintaining an accessible luxury price positioning. In addition, 65% of the Group's leathers are sourced from environmentally certified tanneries and 25% are gold standard, as per the Leather Working Group's auditing protocol. Mulberry products have been 'made to last' since the brand was established in 1971 and this concept continues to be further developed and enhanced, supported by a lifetime service commitment.

The recently created Artisan Studio, which produces limited edition product, was further developed and the number of limited edition products doubled relative to last year. Initiatives have included support for the Tokyo customer event with a unique capsule collection, and bespoke products for the Korean market, select wholesale customers and global new store openings (e.g. Rockefeller Center during April 2019).

The Group continues to run an extensive apprentice programme to develop the next generation of craftspeople and expects its UK factories to continue to manufacture approximately 50% of handbags.

2. FINANCIAL REVIEW

Results for the period were affected by the challenging UK retail environment and further investments made in developing the brand in international markets.

Group revenue for the period was £68.9 million (2018: £68.3 million) with Retail sales up 8% and, as anticipated, Wholesale sales down 24%. Global Digital sales increased 23% during the period to £13.9 million. Whilst progress achieved in Asia has been encouraging, the UK remains challenging.

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| | 26 weeks to 28-Sep 2019 (£ million)* | 26 weeks to 22-Sep 2018 (£ million) | Total change (this period vs last period) |
|---|--|---|---|
| International Retail Sales* | 15.5 | 12.4 | +25% |
| International Wholesale and Franchise Sales | 8.7 | 9.2 | -5% |
| Total International Sales | 24.2 | 21.6 | +12% |
| UK Retail Sales* | 41.6 | 40.4 | +3% |
| UK Wholesale and Franchise Sales | 3.1 | 6.3 | -51% |
| Total UK Sales | 44.7 | 46.7 | -4% |
| Total Retail Sales* | 57.1 | 52.8 | +8% |
| Total Wholesale and Franchise Sales | 11.8 | 15.5 | -24% |
| Total Group Revenue | 68.9 | 68.3 | +1% |

* Regional splits include Digital revenue which increased by 23% during the twenty six weeks to 28 September 2019

Nb: Given the high level of store rotation relative to the prior year period, like for like sales growth is not relevant

International Retail sales increased 25% to £15.5 million and represents 22% of Group revenue (2018: 18%). This growth was driven by Asia where sales rose 63% to represent 14% of Group revenue (2018: 9%). South Korea was a new Retail territory for most of the period, following the creation of Mulberry Korea and the market's transition from a franchise arrangement during August 2018. During the period, the Group established a new local management team in Seoul, enhanced the store portfolio and invested further in targeted marketing activities. Progress in China and Taiwan has been promising during the period following the ongoing enhancement of the Group's Retail and Digital and omni-channel platform including the recent introduction of strategic digital partnerships including Farfetch (global) and in China, Tmall (Alibaba), Secoo and JD.com. Trading in the Group's two Hong Kong stores has been significantly affected by the ongoing disruption in this market. Whilst still a nascent market for Mulberry, Japan has started to deliver encouraging growth following the #MulberryxTokyo event held during August 2019 with the accompanying pop up shop in Isetan Shinjuku generating a strong uplift in sales.

Against the backdrop of a challenging retail environment, the Group's UK Retail sales, including Digital, rose 3% to £41.6 million during the period, reflecting management actions to advance the direct to customer strategy in the Group's home market. Digital sales increased whilst store sales continue to be impacted by lower traffic.

Global Wholesale sales totaled £11.8 million during the period (2018: £15.5 million) reflecting the continued focus on the direct to customer strategy. International Wholesale sales were £8.7 million (2018: £9.2 million), primarily reflecting the shift in South Korea sales from Wholesale to Retail during August 2018 as part of the creation of Mulberry Korea. UK Wholesale sales were £3.1 million (2018: £6.3 million) primarily reflecting the conversion of the Group's business with John Lewis from wholesale to a concession model during November 2018.

Gross margin for the period was 59.4% (2018: 61.5%). This primarily reflects the increasingly promotional nature of the UK market, amidst challenging trading conditions.

Underlying operating expenses (net), excluding charges in respect of IFRS 16 this year and costs relating to House of Fraser last year, increased to £51.1 million (2018: £48.3 million). This primarily reflects increased investment in the direct to customer model in Asia, with the expansion and enhancement of the Retail store network, and in the UK with the conversion of the Group's business with John Lewis to a concession model and the roll out of the new store concept.

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The Group adopted IFRS 16 'Leases' from the beginning of the period. IFRS 16 specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases'. The Group adopted IFRS 16 using a simplified modified retrospective transition approach, under which the comparative information presented for the 53 weeks ended 30 March 2019 and the 26 weeks ended 22 September 2018 has not been restated and therefore continues to be shown under IAS 17. The net impact on the reported loss before tax for the 26 weeks ended 28 September 2019 was £1.1 million. Further information is provided in Note 9.

The Group's loss before tax and IFRS 16 for the period was £9.9 million (2018: £8.2 million). After accounting for IFRS 16 during the period, the loss before tax was £10.9 million. Further information is provided in Note 9.

The Group had net cash balances at 28 September 2019 of £6.4 million (2018: £12.1 million). The net cash balance as at 22 September 2018 benefitted from the timing of the period end date.

Capital expenditure for the period was £3.6 million (2018: £4.3 million), including £2.6 million on stores and Digital, £0.6 million on IT systems and £0.4 million on factories.

Inventories decreased by 18% to £38.7 million at 28 September 2019 (2018: £47.1 million) driven by a disciplined approach to inventory management as well as agile supply chain initiatives.

3. CURRENT TRADING AND OUTLOOK

Retail sales have continued to reflect similar trends with Asia generating double digit sales growth, driven by South Korea and Japan, and trading in the UK challenging.

International Retail sales

Sales growth in South Korea and Japan accelerated during recent months and this momentum has continued during into the second half of the financial year. The performance of the Group's China and Taiwan business is promising, driven by ongoing enhancements to the store network and Digital and omni-channel platform. Sales in Hong Kong remain down double digits due to ongoing disruption in this market.

In Digital, localised mulberry.com sites with enhanced customer services are due to launch in China, South Korea and Australia.

The Board anticipates that International sales will continue to increase as a proportion of Group revenue.

UK Retail sales

The UK retail environment has remained challenging, as has been well documented.

Whilst Digital sales, including the contribution of the JL.com digital concession, increased, store sales continue to be impacted by lower traffic and weak consumer demand.

Since the end of the period, 2 UK pop up stores have been opened (Canary Wharf, Gatwick Airport).

The Group will continue to invest in enhancing the customer experience and in optimising the store network.

Selective Wholesale and Franchise

In line with the Group's continued focus on a direct to customer strategy, Wholesale revenue for the second half of the financial year is expected to decline. This primarily reflects the conversion of the Group's business with John Lewis from wholesale to a Retail concession basis from November 2018.

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Capital expenditure

Capital expenditure for the 52 weeks ending 28 March 2020 is expected to be in the region of £6.0 million (2019: £11.9 million), the majority of which will be on stores as the Group continues the new store concept roll out and ongoing investment in Digital and IT systems.

Full year outlook

During the second half of the financial year, the Board expects Asia to continue to generate double digit sales growth and for International sales to increase as a proportion of overall Group revenue.

Further initiatives are planned to advance the Group's sustainable approach across its products, materials, supply chain and people, while maintaining an accessible luxury price positioning.

Digital and omni-channel sales are also expected to grow as plans to continue to enhance the Group's sector leading platform are implemented.

Against an uncertain backdrop in the UK and with the important Christmas period ahead, the Board expects the Group to trade profitably and to generate cash during the second half of the financial year.

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CONSOLIDATED INCOME STATEMENT 26 WEEKS ENDED 28 SEPTEMBER 2019

| | Note | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|--------------------------------|------|---|---|---|
| Revenue | | 68,871 | 68,336 | 166,268 |
| Cost of sales | | (27,959) | (26,341) | (63,984) |
| Gross profit | | 40,912 | 41,995 | 102,284 |
| Operating expenses | | (50,010) | (50,398) | (107,702) |
| Other operating income | | 422 | 209 | 438 |
| Operating loss | | (8,676) | (8,194) | (4,980) |
| Share of results of associates | | (9) | 42 | 90 |
| Finance income | | 35 | 28 | 140 |
| Finance expense | | (2,275) | (53) | (258) |
| Loss before tax | | (10,925) | (8,177) | (5,008) |
| Tax credit | 6 | 1,160 | 2,877 | 157 |
| Loss for the period | | (9,765) | (5,300) | (4,851) |
| Attributable to: | | | | |
| Equity holders of the parent | | (9,305) | (3,904) | (2,479) |
| Non-controlling interests | | (460) | (1,396) | (2,372) |
| Loss for the period | | (9,765) | (5,300) | (4,851) |
| Basic loss per share | 8 | (16.4p) | (8.9p) | (8.2p) |
| Diluted loss per share | 8 | (16.4p) | (8.9p) | (8.1p) |

All activities arise from continuing operations.

Reconciliation of adjusted (loss)/profit before tax and IFRS 16

| | | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|--|---|---|---|---|
| Loss before tax | | (10,925) | (8,177) | (5,008) |
| Impairment relating to retail property, plant and equipment | | - | - | 795 |
| Bad debt and other expenses from House of Fraser administration | | - | 2,073 | 2,073 |
| Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession | | - | - | 1,323 |
| Launch costs relating to Mulberry Korea | | - | - | 1,821 |
| Adjusted (loss)/profit before tax – non-GAAP measure | | (10,925) | (6,104) | 1,004 |
| Impact of IFRS 16 | 9 | 1,058 | - | - |
| (Loss)/profit before tax, adjusting items and IFRS 16 adjustments – non-GAAP measure | | (9,867) | (6,104) | 1,004 |
| Adjusted basic (loss)/earnings per share | 8 | (14.9p) | (6.1p) | 0.9p |
| Adjusted diluted (loss)/earnings per share | 8 | (14.9p) | (6.1p) | 0.9p |

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 26 WEEKS ENDED 28 SEPTEMBER 2019

| | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|--|---|---|---|
| Loss for the period | (9,765) | (5,300) | (4,851) |
| Items that may be reclassified subsequently to profit or loss; | | | |
| Exchange differences on translation of foreign operations | 467 | 576 | 151 |
| Profits/(losses) on a hedge of a net investment taken to equity | 122 | 119 | (3) |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (84) | (131) | (30) |
| Total comprehensive expense for the period | (9,260) | (4,736) | (4,733) |
| Attributable to: | | | |
| Equity holders of the parent | (8,825) | (3,340) | (2,394) |
| Non-controlling interests | (435) | (1,396) | (2,339) |
| Total comprehensive expense for the period | (9,260) | (4,736) | (4,733) |

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CONSOLIDATED BALANCE SHEET AT 28 SEPTEMBER 2019

| | Unaudited 28 September 2019 £'000 | Unaudited 22 September 2018 £'000 | Audited 30 March 2019 £'000 |
|---|---|---|-----------------------------------|
| Non-current assets | | | |
| Intangible assets | 14,227 | 12,552 | 13,970 |
| Property, plant and equipment | 25,816 | 25,160 | 26,171 |
| Right of use assets | 105,259 | - | - |
| Interests in associates | 268 | 280 | 337 |
| Deferred tax asset | 2,013 | 1,984 | 1,102 |
| | 147,583 | 39,976 | 41,580 |
| Current assets | | | |
| Inventories | 38,691 | 47,099 | 39,740 |
| Trade and other receivables | 13,561 | 12,910 | 13,688 |
| Current tax asset | 662 | 3,383 | 1,785 |
| Cash and cash equivalents | 11,713 | 13,179 | 12,377 |
| | 64,627 | 76,571 | 67,590 |
| Total assets | 212,210 | 116,547 | 109,170 |
| Current liabilities | | | |
| Trade and other payables | (21,950) | (31,730) | (23,984) |
| Lease liabilities | (17,477) | - | - |
| Borrowings | (7,142) | (1,112) | (2,709) |
| | (46,569) | (32,842) | (26,693) |
| Net current assets | 18,058 | 43,729 | 40,897 |
| Non-current liabilities | | | |
| Lease liabilities | (91,755) | - | - |
| Borrowings | (2,438) | - | (1,770) |
| | (94,193) | - | (1,770) |
| Total liabilities | (140,762) | (32,842) | (28,463) |
| Net assets | 71,448 | 83,705 | 80,707 |
| Equity | | | |
| Share capital | 3,004 | 3,001 | 3,002 |
| Share premium account | 12,160 | 11,961 | 12,072 |
| Own share reserve | (1,378) | (1,387) | (1,378) |
| Capital redemption reserve | 154 | 154 | 154 |
| Cashflow hedge reserve | - | - | (100) |
| Foreign exchange reserve | 1,226 | 1,167 | 821 |
| Retained earnings | 58,136 | 69,269 | 67,555 |
| Equity attributable to holders of the parent | 73,302 | 84,165 | 82,126 |
| Non-controlling interests | (1,854) | (460) | (1,419) |
| Total equity | 71,448 | 83,705 | 80,707 |

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 26 WEEKS ENDED 28 SEPTEMBER 2019

| | Share capital £'000 | Share premium account £'000 | Own share reserve £'000 | Capital re- demption reserve £'000 | Cashflow hedge reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total £'000 | Non- controllin g interest £'000 | Total equity £'000 |
|--|------------------------|-----------------------------------|-------------------------------|---|---------------------------------------|---|-------------------------------|----------------|---|--------------------------|
| As at 24 March 2018 | 3,001 | 11,961 | (1,388) | 154 | (98) | 701 | 73,165 | 87,496 | 747 | 88,243 |
| Loss for the period | - | - | - | - | - | - | (3,904) | (3,904) | (1,396) | (5,300) |
| Other comprehensive income for the period | - | - | - | - | 98 | 466 | - | 564 | - | 564 |
| Total comprehensive income/(expense) for the period | - | - | - | - | 98 | 466 | (3,904) | (3,340) | (1,396) | (4,736) |
| Charge for employee share-based payments | - | - | - | - | - | - | 9 | 9 | - | 9 |
| Exercise of share options | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Own shares | - | - | 1 | - | - | - | - | 1 | - | 1 |
| Adjustment arising from movement in non- controlling interest | - | - | - | - | - | - | - | - | 189 | 189 |
| As at 22 September 2018 | 3,001 | 11,961 | (1,387) | 154 | - | 1,167 | 69,269 | 84,165 | (460) | 83,705 |
| Profit/(loss) for the period | - | - | - | - | - | - | 1,425 | 1,425 | (976) | 449 |
| Other comprehensive (expense)/income for the period | - | - | - | - | (100) | (379) | - | (479) | 33 | (446) |
| Total comprehensive (expense)/income for the period | - | - | - | - | (100) | (379) | 1,425 | 946 | (943) | 3 |
| Issue of share capital | 1 | 111 | - | - | - | - | - | 112 | - | 112 |
| Credit for employee share-based payments | - | - | - | - | - | - | (147) | (147) | - | (147) |
| Exercise of share options | - | - | - | - | - | - | (22) | (22) | - | (22) |
| Own shares | - | - | 9 | - | - | - | - | 9 | - | 9 |
| Adjustments arising from movement in non- controlling interest | - | - | - | - | - | 33 | - | 33 | (16) | 17 |
| Dividends paid | - | - | - | - | - | - | (2,970) | (2,970) | - | (2,970) |
| As at 30 March 2019 | 3,002 | 12,072 | (1,378) | 154 | (100) | 821 | 67,555 | 82,126 | (1,419) | 80,707 |
| Loss for the period | - | - | - | - | - | - | (9,305) | (9,305) | (460) | (9,765) |
| Other comprehensive income for the period | - | - | - | - | 100 | 380 | - | 480 | 25 | 505 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 100 | 380 | (9,305) | (8,825) | (435) | (9,260) |
| Issue of share capital | 2 | 88 | - | - | - | - | - | 90 | - | 90 |
| Credit for employee share-based payments | - | - | - | - | - | - | (114) | (114) | - | (114) |
| Adjustments arising from movement in non- controlling interest | - | - | - | - | - | 25 | - | 25 | - | 25 |
| As at 28 September 2019 | 3,004 | 12,160 | (1,378) | 154 | - | 1,226 | 58,136 | 73,302 | (1,854) | 71,448 |

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CONSOLIDATED CASH FLOW STATEMENT 26 WEEKS ENDED 28 SEPTEMBER 2019

| | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|--|---|---|---|
| Operating loss for the period | (8,676) | (8,194) | (4,980) |
| Adjustments for: | | | |
| Depreciation and impairment of property, plant and equipment | 3,124 | 2,745 | 6,999 |
| Depreciation of right of use assets | 9,100 | - | - |
| Amortisation of intangible assets | 523 | 555 | 1,082 |
| Loss on sale of property, plant and equipment | 113 | 68 | 395 |
| Share-based payments (credit)/charge | (114) | 9 | (138) |
| Operating cash flows before movements in working capital | 4,070 | (4,817) | 3,358 |
| Decrease in inventories | 1,516 | 436 | 7,714 |
| (Increase)/decrease in receivables | (339) | 2,450 | 1,541 |
| Increase/(decrease) in payables | 1,636 | (716) | (6,682) |
| Cash generated by/(used in) operations | 6,883 | (2,647) | 5,931 |
| Income taxes received/(paid) | 1,297 | (1,732) | (1,730) |
| Interest paid | (130) | (53) | (258) |
| Net cash inflow/(outflow) from operating activities | 8,050 | (4,432) | 3,943 |
| Investing activities: | | | |
| Interest received and gains on foreign exchange contracts | 35 | 28 | 140 |
| Purchases of property, plant and equipment | (2,821) | (3,488) | (9,455) |
| Proceeds from disposal of property, plant and equipment | - | 43 | 60 |
| Acquisition of intangible fixed assets | (822) | (1,233) | (2,234) |
| Acquisition of subsidiary | - | (6,175) | (5,741) |
| Net cash used in investing activities | (3,608) | (10,825) | (17,230) |
| Financing activities: | | | |
| Dividends paid | - | - | (2,970) |
| Proceeds on issue of shares | 2 | - | 1 |
| Increase in loans from related parties and non-controlling interests | 1,996 | 1,765 | 1,771 |
| Investment from non-controlling interest | - | 173 | 173 |
| New borrowings | 5,000 | 1,112 | 1,231 |
| Repayment of loans from non-controlling interests | (1,090) | - | - |
| Repayment of borrowings | (952) | - | - |
| Principle element of lease payments | (10,156) | - | - |
| Settlement of share awards | - | (1) | (23) |
| Net cash used in financing activities | (5,200) | 3,049 | 183 |
| Net decrease in cash and cash equivalents | (758) | (12,208) | (13,104) |
| Cash and cash equivalents at beginning of period | 12,377 | 25,071 | 25,071 |
| Effect of foreign exchange rate changes | 94 | 316 | 410 |
| Cash and cash equivalents at end of period | 11,713 | 13,179 | 12,377 |

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS 26 WEEKS ENDED 28 SEPTEMBER 2019

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 26 weeks ended 28 September 2019 (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 53 weeks ended 30 March 2019 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 26 weeks ended 28 September 2018 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 53 weeks ended 30 March 2019, except for the adoption of new standards effective as of 31 March 2019.

The Group has applied for the first time, IFRS 16 "Leases". The Group has elected to adopt the modified retrospective approach whereby assets equal liabilities at the date of transition. As a result, adoption of IFRS 16 has not resulted in any retrospective changes to the amounts recognised in the Group's Annual Report and Financial Statements for the 53 weeks ended 30 March 2019 and the Interim Financial Statements for the 26 weeks ended 22 September 2018. The impact of the transition is shown in note 9.

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 considered the use of the going concern basis in the preparation of the financial statements given the uncertainty around the current economic climate within the retail market. The Directors have considered the financial position of the Mulberry Group, the Group forecasts, taking account of reasonable possible changes in trading performance and the availability of external finance. On 27 September 2018, Mulberry Group plc signed a new £10.0 million revolving credit facility with HSBC until October 2021. This facility was increased to £15.0 million during May 2019. The Group also has a £4.0 million overdraft facility until May 2020, which is reviewed annually. As a consequence the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries and reviewing the Mulberry Group plc forecasts which cover a period exceeding 12 months from the date of signature of the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, taking into account reasonably possible changes in trading. Accordingly, they have adopted the going concern basis in preparing the half year results.

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4. JUDGEMENTS AND ESTIMATES

The significant judgements and estimates applied in the preparation of the Interim Financial Statements are consistent with those described on pages 49-50 of the Group's Annual Report and Financial Statements for the 53 weeks ended 30 March 2019.

5. ALTERNATIVE PERFORMANCE MEASURES

The main alternative performance measure used by the Group is adjusted profit/loss before tax.

Adjusted profit/loss before tax is stated after adjusting statutory profit/loss before tax for fixed asset impairment, the cost of acquisitions, including the write-back of profit previously earned on sales of inventories that are subsequently reacquired and the impact of events which are irregular in nature or beyond the control of the Board and significant debt or other asset write-off.

6. TAXATION

The tax credit is calculated by applying the forecast full year effective tax rate to the interim loss and calculating the deferred tax balance for the period.

7. DIVIDEND

| | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|--|---|---|--|
| Dividend of 5p per ordinary share paid during the period | - | - | 2,970 |

The final dividend for the 53 weeks ended 30 March 2019 will be paid to shareholders on 21 November 2019.

The final dividend for the 52 weeks ended 24 March 2018 was paid on 22 November 2018.

8. EARNINGS PER SHARE ('EPS')

| | Unaudited 26 weeks ended 28 September 2019 | Unaudited 26 weeks ended 22 September 2018 | Audited 53 weeks ended 30 March 2019 |
|--|--|--|--|
| Basic loss per share | (16.4p) | (8.9p) | (8.2p) |
| Diluted loss per share | (16.4p) | (8.9p) | (8.2p) |
| Adjusted basic (loss)/earnings per share | (14.9p) | (6.1p) | 0.9p |
| Adjusted diluted (loss)/earnings per share | (14.9p) | (6.1p) | 0.9p |

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Earnings per share is calculated based on the following data:

| | Unaudited 26 weeks ended 28 September 2019 £'000 | Unaudited 26 weeks ended 22 September 2018 £'000 | Audited 53 weeks ended 30 March 2019 £'000 |
|---|---|---|---|
| Loss for the period for basic and diluted earnings per share | (9,765) | (5,300) | (4,851) |
| Adjustments to exclude exceptional items: | | | |
| Impairment relating to retail assets | - | - | 795 |
| Bad debt and other expenses from House of Fraser administration* | - | 1,679 | 1,679 |
| Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession* | - | - | 1,072 |
| Korea launch costs | - | - | 1,821 |
| IFRS 16* | 902 | - | - |
| Adjusted (loss)/profit for the period for basic and diluted earnings per share | (8,863) | (3,621) | 516 |

*These items are included net of tax

| | Unaudited 26 weeks ended 28 September 2019 Million | Unaudited 26 weeks ended 22 September 2018 Million | Audited 53 weeks ended 30 March 2019 Million |
|---|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic EPS | 59.4 | 59.4 | 59.4 |
| Effect of dilutive potential ordinary shares: share options | - | 0.3 | 0.3 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 59.4 | 59.5 | 59.7 |

9. CHANGE IN ACCOUNTING POLICY – IFRS 16

The Group has adopted IFRS 16 "Leases" for the period ending 28 March 2020 and has applied the standard in these Interim Financial Statements. The Group has elected to adopt the modified retrospective approach whereby assets equal liabilities at the date of transition. As a result, adoption of IFRS 16 has not resulted in any retrospective changes to the amounts recognised in the Group's Annual Report and Financial Statements for the 53 weeks ended 30 March 2019 and the Interim Financial Statements for the 26 weeks ended 22 September 2018.

IFRS 16 distinguishes between leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and have been replaced by a model where a right to use asset and a corresponding liability have been recognised for all leases (i.e. all on balance sheet except for short term leases and leases of low value assets). Lease incentives relating to rent free periods are now recognised as part of the measurement of right of use assets and lease liabilities, whereas under IAS 17 these resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

The right of use asset was initially measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liability. The lease liability was initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted interest and lease payments, as well as the impact of lease modifications. The weighted average discount rate applied was 3.8%.

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The impact of the adoption of IFRS16 on the Group's opening balance sheet is summarised as follows:

| | As previously reported at 30 March 2019 £'000 | IFRS16 transition adjustments £'000 | Restated under IFRS16 at 31 March 2019 £'000 |
|-------------------------------|--|--|--|
| Non-current assets | | | |
| Other non-current assets | 41,580 | - | 41,580 |
| Right of use assets | - | 111,473 | 111,473 |
| | 41,580 | 111,473 | 153,053 |
| Current assets | | | |
| Other current assets | 53,902 | - | 53,902 |
| Trade and other receivables | 13,688 | (632) | 13,056 |
| | 67,590 | (632) | 66,958 |
| Total assets | 109,170 | 110,841 | 220,011 |
| Current liabilities | | | |
| Other current liabilities | (2,709) | - | (2,709) |
| Trade and other payables | (23,984) | 3,516 | (20,468) |
| Lease liabilities | - | (16,357) | (16,357) |
| | (26,693) | (12,841) | (39,534) |
| Net current assets | 40,897 | (13,473) | 27,324 |
| Non-current liabilities | | | |
| Other non-current liabilities | (1,770) | - | (1,770) |
| Lease liabilities | - | (98,000) | (98,000) |
| | (1,770) | (98,000) | (99,770) |
| Total liabilities | (28,463) | (110,841) | (139,304) |
| Net assets | 80,707 | - | 80,707 |
| Total equity | 80,707 | - | 80,707 |

The table below shows a summary of the impact on loss before taxation under IFRS16 compared with IAS 17:

| | |
|---|---------|
| Operating lease costs under IAS 17 | 10,186 |
| Less depreciation of right of use assets | (9,100) |
| Impact on operating loss before taxation for the 26 weeks ended 28 September 2019 | 1,087 |
| Less finance costs associated with lease liabilities | (2,145) |
| Impact on loss before taxation for the 26 weeks ended 28 September 2019 | (1,058) |