



**MULBERRY GROUP PLC (“Mulberry” or the “Group”)
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2013**

Mulberry Group plc, the English luxury brand, is pleased to announce its results for the year ended 31 March 2013.

FINANCIAL HIGHLIGHTS

- Full year results in line with guidance given on 22 March 2013
- Total revenue of £165.1 million (2012: £168.5 million)
 - Retail revenue up 8% to £107.2 million, up 6% like-for-like
 - Wholesale revenue down 16% to £57.9 million, reflecting European account rationalisation and destocking by Asian partners
- Profit before tax of £26.0 million (2012: £36.0 million), reflecting an investment in directly operated international stores and a contraction in gross margin
- Basic earnings per share of 32.2p (2012: 43.9p)
- Proposed dividend of 5.0p per share (2012: 5.0p per share)

OPERATING HIGHLIGHTS

- 17 new international stores opened, in line with plan
- Construction of second UK factory completed on 3 June 2013
- Enhanced product range including bags, small leather goods and men’s accessories
- Established regional structure and invested in talent across the business

CURRENT TRADING AND OUTLOOK

- Retail revenue up 9% for the 10 weeks to 8 June 2013, like-for-like sales up 6%
- Modest growth in wholesale sales expected for 2013/14
- Three new stores opened since 31 March 2013; targeting 15 to 20 new stores during 2013/14

BRUNO GUILLON, CHIEF EXECUTIVE, COMMENTED:

“Mulberry ended the year to 31 March 2013 in line with the guidance given in March. Our retail sales increased 8% during the year, however this was offset by lower sales from the wholesale business.

After three years of rapid growth, we have had a year of consolidation during which we have laid the foundations for the transition of Mulberry from a UK success story into a global luxury brand. In particular we are increasing UK production and enhancing both our retail experience and product range.

Mulberry has a well-established business in the UK and a growing presence in Europe. With over 80% of our sales derived from these markets where the economic climate remains difficult, Mulberry’s challenge for the future is to accelerate our brand awareness in the USA and Asia. Greater visibility in Asia will allow us to benefit from tourist traffic in Europe and the USA at the same time as growing our business locally.”

FOR FURTHER DETAILS PLEASE CONTACT:

Pelham Bell Pottinger

Daniel de Belder / Lucy Miles

020 7861 3232

Mulberry Investor Relations

Amelia Fincher

020 7605 6771

Altium

Ben Thorne / Katie Hobbs

020 7484 4040

Barclays

Jon Bathard-Smith

020 7623 2323



Business review

Total revenue for the year to 31 March 2013 was £165.1 million, down 2% from £168.5 million in 2012, reflecting growth in retail sales offset by a decline in wholesale sales.

RETAIL

Our own stores and concessions saw continued growth with revenues up 8% to £107.2 million (2012: £99.7 million) and up 6% like-for-like. This was achieved against a backdrop of very strong growth last year of 36% and a challenging economic climate in the UK and Europe as well as a reduction in tourist spending in the London stores.

- UK retail sales were up 6% to £91.8 million (2012: £86.9 million);
- International retail sales were up 20% to £15.4 million (2012: £12.8 million). During the period we opened seven new directly operated stores in the USA, Germany and Switzerland;
- Online sales, which are included in the segments above, were up 21% to £17.6 million, accounting for 11% of Group sales (2012: 9%).

WHOLESALE

Wholesale revenue was down 16% to £57.9 million (2012: £68.8 million), reflecting two key factors:

- The quality of the European wholesale channel was improved through rationalisation of accounts; and
- A slowdown of demand in Asia following very strong sales over the last two years driven by certain key products. This resulted in a period of destocking and cautious re-ordering by our Asian franchise partners during the year to 31 March 2013.

Although these factors have resulted in lower wholesale sales this year, the steps that we are taking to improve the quality of the wholesale distribution network are expected to have a positive impact on both the retail and wholesale businesses in the future.

During the year we opened ten partner stores: a flagship store in Singapore, five stores in Korea, and one store in each of Shanghai, Beijing, Nagoya and Bahrain.

FINANCIAL

Gross margin was 63.3% for the year to 31 March 2013 (2012: 66.2%) due largely to a catch-up in product related overheads relative to sales which have normalised this year after rapid sales growth in the previous two years. In addition, gross margin was affected by higher raw materials costs which were not reflected in prices until November 2012.

Net operating expenses for the period increased by £2.9 million to £79.0 million (2012: £76.1 million). This includes £6.3 million additional costs related to new directly operated international stores offset by cost savings in other areas.

The Group had an effective tax rate of 28.2% for the year (2012: 29.7%) resulting in a tax charge of £7.3 million (2012: £10.7 million). We expect to see a decrease in the effective tax rate over the next two years in line with the announced reduction in UK corporation tax rates.

Due to the reduction in gross margin and the investment in directly operated international stores, profit before tax fell 28% to £26.0 million (2012: £36.0 million).

Capital expenditure for the period was £16.9 million, of which £8.8 million related to new stores, £4.4 million to factories and £2.9 million to investment in IT systems.

Inventories have increased to £35.7 million from £32.5 million at the start of the period partly reflecting new store openings but also lower sales than originally anticipated. Overall, the Group balance sheet remains strong with cash of £21.9 million at 31 March 2013 (2012: £27.3 million) and no debt.



The cash generated from operations for the year amounted to an inflow of £24.2 million (2012: inflow of £30.1 million).

Basic earnings per share for the year decreased by 27% to 32.2p (2012: 43.9p).

The Board is recommending the payment of a dividend on the ordinary shares of 5.0p per ordinary share (2012: 5.0p) which will be paid on 9 September 2013 to shareholders on the register on 16 August 2013.

STRATEGY

We have previously outlined Mulberry's four long term strategic themes and over the last 12 months we have taken the following steps:

1. Reinforce luxury positioning:

- Made in England: our second factory in Somerset, UK, was completed during June 2013, and it will double our UK production capacity; and
- Distribution: we opened retail stores in prime locations with an updated store concept and rationalised the wholesale distribution network in Europe.

2. International expansion:

We continue to focus on prime retail locations complemented by high quality wholesale accounts. During the year we:

- Improved our retail and franchise store network:
 - Opened seven directly operated stores and ten partner stores in prime retail locations, in line with our target of 15-20 stores per annum. This brings our global store footprint to 115 stores, including directly operated and partner stores;
 - Consolidated our Middle East franchise operations, appointing Chalhoub Group to operate our business in the region (excluding Qatar) and accelerating the store opening plans over the next two to three years; and
- Increased the quality of our multi-brand distribution network through a European account rationalisation, continuing to build and maintain strategic partnerships with key department store accounts.

3. Product development

A number of product development initiatives have been completed during the year which will launch with the AW13 collection in stores from June to September 2013. For example:

- In the women's bags category we have reinforced our core and entry level offerings under £1,000 with additional leather, colour and component offerings and the continued introduction of new styles. The price architecture of the offering has also been extended at the higher end of the Mulberry range, with the introduction of handbags priced between £1,000 and £1,700;
- We have increased the colour and style options for small leather goods, belts and fashion accessories; and
- The men's accessories category has been significantly reinforced, with a 50% increase in product lines for AW13 compared to AW12. Growth of this category is an area of opportunity for the brand, particularly in Asian markets.

4. Leverage operations to support growth

One of our key strategies is to maintain a balanced investment programme including new stores, factory facilities and IT systems. During the year to 31 March 2013 we invested in all three areas with £8.8 million in capital expenditure spent on stores, £4.4 million on our UK factories and £2.9 million on IT systems.

We have also enhanced the organisation structure with an investment in talent throughout the organisation and a move to regional reporting lines from 1 April 2013. Regional heads have been appointed for Europe and North America and



the new structure is designed to bring consistency and co-ordination between the retail and wholesale channels and drive international growth through regional focus and accountability.

During the year we completed a review of our supply chain. We have already implemented an improved wholesale ordering timetable and are now commencing a project for the implementation of a new integrated supply chain system which is expected to be completed during the financial year ending 31 March 2015.

While investing for future growth, we continue to carefully manage investments and costs throughout the business.

CREATIVE DIRECTOR

As previously announced, Emma Hill, our Creative Director, has informed the Company that she wishes to leave after a very successful period at Mulberry during which she has built a strong and talented creative team working for her. The main SS14 collection has been completed and Emma continues to work in the business finalising the SS catwalk collection which will be launched on 15 September 2013 during London Fashion Week. The timing of her departure is currently under discussion and has yet to be finalised.

CURRENT TRADING AND OUTLOOK

The outlook for both the retail and wholesale businesses for the year to 31 March 2014 remains challenging given Mulberry's heavy reliance upon the UK and European markets where the economic climate continues to be difficult.

The trading conditions in Mulberry's more developed domestic market highlight the importance of our international growth strategy. We continue to take the necessary steps to build our businesses in the USA and Asia, opening stores in prime retail locations and investing in marketing initiatives that highlight the brand's heritage and craftsmanship. The Asian customer is important globally as tourism continues to be a critical component of luxury sales, and we are particularly focused on raising our brand awareness in this market.

During the 10 weeks to 8 June 2013, total Retail sales were 9% above the same period last year (like-for-like sales up 6%).

The wholesale order book for SS14 is building satisfactorily and we expect modest growth in wholesale sales for the year to 31 March 2014.

Since the year-end we have opened directly operated stores in Berlin and Vienna and a partner store in Palma de Mallorca. We continue to target 15 to 20 new international store openings per annum, being a combination of both directly operated and partner stores.

Capital expenditure for the year to 31 March 2014 is expected to be in the order of £20.0 million, subject to the timing of new store openings and other investments. This continues to be funded from internally generated cashflow.

During the year to 31 March 2014 we will continue with our global expansion strategy, focusing on the transition of Mulberry from a UK success story into a global luxury brand.

Consolidated income statement
Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Revenue		165,130	168,451
Cost of sales		(60,623)	(56,964)
Gross profit		<u>104,507</u>	<u>111,487</u>
Administrative expenses		(79,413)	(76,565)
Other operating income		437	495
Operating profit		<u>25,531</u>	<u>35,417</u>
Share of results of associates		477	562
Finance income		48	72
Finance expense		(30)	(50)
Profit before tax		<u>26,026</u>	<u>36,001</u>
Tax		(7,333)	(10,700)
Profit for the year		<u>18,693</u>	<u>25,301</u>
Attributable to:			
Equity holders of the parent		<u>18,693</u>	<u>25,301</u>
		pence	pence
Basic earnings per share	4	32.2	43.9
Diluted earnings per share	4	32.0	43.4

Consolidated statement of comprehensive income
Year ended 31 March 2013

		2013 £'000	2012 £'000
Profit for the year		18,693	25,301
Exchange differences on translation of foreign operations		45	(207)
Total comprehensive income for the year		<u>18,738</u>	<u>25,094</u>
Attributable to:			
Equity holders of the parent		<u>18,738</u>	<u>25,094</u>

**Consolidated balance sheet
At 31 March 2013**

	2013 £'000	2012 £'000
Non-current assets		
Intangible assets	5,740	3,984
Property, plant and equipment	33,494	24,212
Interests in associates	281	357
Deferred tax assets	201	-
	<u>39,716</u>	<u>28,553</u>
Current assets		
Inventories	35,698	32,546
Trade and other receivables	14,233	14,912
Cash and cash equivalents	21,858	27,293
	<u>71,789</u>	<u>74,751</u>
Total assets	<u>111,505</u>	<u>103,304</u>
Current liabilities		
Trade and other payables	(29,800)	(34,627)
Current tax liabilities	(2,996)	(6,188)
	<u>(32,796)</u>	<u>(40,815)</u>
Non-current liabilities		
Deferred tax liability	-	(26)
Total liabilities	<u>(32,796)</u>	<u>(40,841)</u>
Net assets	<u>78,709</u>	<u>62,463</u>
Equity		
Share capital	2,992	2,982
Share premium account	11,835	11,578
Own share reserve	(2,937)	(3,966)
Capital redemption reserve	154	154
Special reserves	1,467	1,467
Foreign exchange reserve	224	179
Retained earnings	64,974	50,069
Total equity	<u>78,709</u>	<u>62,463</u>



MULBERRY

Consolidated statement of changes in equity Year ended 31 March 2013

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital reserve £'000	Special reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2011	2,943	7,007	(621)	154	1,467	386	30,696	42,032
Total comprehensive income for the year	-	-	-	-	-	(207)	25,301	25,094
Issue of share capital	10	3,782	-	-	-	-	-	3,792
Charge for employee share-based payments	-	-	-	-	-	-	701	701
Exercise of share options	29	789	-	-	-	-	(4,319)	(3,501)
Own shares	-	-	(3,345)	-	-	-	-	(3,345)
Ordinary dividends paid	-	-	-	-	-	-	(2,310)	(2,310)
As at 31 March 2012	2,982	11,578	(3,966)	154	1,467	179	50,069	62,463
Total comprehensive income for the year	-	-	-	-	-	45	18,693	18,738
Issue of share capital	1	-	-	-	-	-	-	1
Charge for employee share-based payments	-	-	-	-	-	-	888	888
Exercise of share options	9	257	-	-	-	-	(1,770)	(1,504)
Own shares	-	-	1,029	-	-	-	-	1,029
Ordinary dividends paid	-	-	-	-	-	-	(2,906)	(2,906)
As at 31 March 2013	2,992	11,835	(2,937)	154	1,467	224	64,974	78,709



Consolidated cash flow statement
Year ended 31 March 2013

	2013	2012
	£'000	£'000
Operating profit for the year	25,531	35,417
Adjustments for:		
Depreciation of property, plant and equipment	5,553	3,992
Amortisation of intangible assets	803	494
Profit on disposal of property, plant and equipment	(26)	(8)
Effects of foreign exchange	(270)	(109)
Share-based payments charge	1,011	701
Operating cash flows before movements in working capital	<u>32,602</u>	<u>40,487</u>
Increase in inventories	(3,101)	(10,151)
Decrease/(increase) in receivables	56	(2,750)
(Decrease)/increase in payables	(5,180)	2,530
Cash generated from operations	<u>24,377</u>	<u>30,116</u>
Corporation taxes paid	(10,922)	(8,495)
Interest paid	(30)	(50)
Net cash inflow from operating activities	<u>13,425</u>	<u>21,571</u>
Investing activities:		
Interest received	49	96
Dividend received from associate	518	408
Purchases of property, plant and equipment	(13,976)	(8,632)
Proceeds from disposal of property, plant and equipment	37	33
Acquisition of intangible fixed assets	(2,108)	(2,153)
Net cash used in investing activities	<u>(15,480)</u>	<u>(10,248)</u>
Financing activities:		
Dividends paid	(2,906)	(2,310)
Proceeds on issue of shares	1	818
Settlement of share awards	(1,504)	(4,358)
Disposal of own shares	1,029	447
Net cash used in financing activities	<u>(3,380)</u>	<u>(5,403)</u>
Net (decrease)/increase in cash and cash equivalents	(5,435)	5,920
Cash and cash equivalents at beginning of year	27,293	21,373
Cash and cash equivalents at end of year	<u>21,858</u>	<u>27,293</u>



Notes

1. Basis of preparation

The financial information in this announcement, which was approved by the Board of Directors on 12 June 2013, does not constitute the Company's statutory accounts for the years ended 31 March 2013 or 2012, but is derived from those accounts.

Statutory accounts for the year ended 31 March 2012 have been delivered to the Registrar of Companies and those for the year ended 31 March 2013 have been approved and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts, their reports were unqualified and did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been completed in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS.

2. Accounting policies

The Group's financial statements for the year ended 31 March 2013 have been prepared in accordance with the measurement criteria of the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

For the year ended 31 March 2013, the financial year runs for the 52 weeks to 30 March 2013 (2012: 53 weeks ended 31 March 2012).

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9: Financial instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- 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 directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except IFRS 12 will impact the disclosure of interests Group has in other entities.

3. Dividends

The dividends approved and paid during the year are as follows:

	2013	2012
	£'000	£'000
Dividend for the year ended 31 March 2012 of 5p (2011: 4p) per share paid in September 2012	<u>2,906</u>	<u>2,310</u>
Proposed dividend for the year ended 31 March 2013 of 5p per share (2012: 5p)	<u>2,992</u>	<u>2,982</u>

This proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.



4. Earnings per share ('EPS')

	2013 pence	2012 pence
Basic earnings per share	32.2	43.9
Diluted earnings per share	32.0	43.4

Earnings per share is calculated based on the following data:

	2013 million	2012 million
Weighted average number of ordinary shares for the purpose of basic EPS	58.1	57.6
Effect of dilutive potential ordinary shares: share options	0.4	0.7
Weighted average number of ordinary shares for the purpose of diluted EPS	<u>58.5</u>	<u>58.3</u>

The weighted average number of ordinary shares in issue during the year excludes those held by the Mulberry Group Plc Employee Share Trust.

5. Information

Copies of the Annual Report and financial statements will be posted to shareholders. Further copies can be obtained from Mulberry Group plc's registered office at The Rookery, Chilcompton, Bath, Somerset, BA3 4EH.

Copies of this announcement are available for a period of one month from the date hereof from the Company's registered office, and from the Company's nominated adviser, Altium Capital Limited, 30 St James's Square, London, SW1Y 4AL.