

FRENCH CONNECTION GROUP PLC

Half-Year Results for the six month period ended 31 July 2011

French Connection Group PLC (“French Connection”, “the Group”) today announces a growth in revenue and profit for the first six months of the financial year.

Highlights

- Revenue up 7% to £102.8 million (2010: £96.5 million*)
- Profit before tax of £0.7 million (2010: £0.2 million*)
- Closing net cash of £30.9 million (2010: £30.2 million)
- Interim dividend increased 20% to 0.6 pence per share (2010: 0.5 pence per share)

Commenting on this announcement, Stephen Marks, Chairman and Chief Executive of French Connection said:

“I am happy to report that, in tough retail trading conditions, we achieved growth in like-for-like retail sales and a substantial increase in both wholesale and licensing income. We are reporting a profit after tax in the first half of the financial year for the first time since 2008 and we are firmly back on a growth path.

“With the business on a stronger footing, we are in a good position to expand operations internationally. We see great opportunities to grow revenues from both franchising and licensing.

“The global appeal of our brand is evident in our continued growth overseas, and over the next three years we are looking forward to opening as many as 25 more stores in China under our Joint Venture as well as additional store openings by our franchisees in Russia, India and Turkey.

“The balance sheet remains very strong with £30.9 million of cash and no debt. The 20% increase in interim dividend reflects the Group’s profitability and cash generation and the Board’s confidence in the future.

“We do not anticipate any easing in the retail environment during the second half of the year. However we have a proven ability to produce high quality and desirable ranges and with good increases in wholesale forward orders to support this, we remain confident in achieving our expectations for the full year.”

***Notes**

The trading results for the six months ended 31 July 2011 reflect the continuing businesses following completion of the restructuring at the end of the last financial year.

For comparative purposes, the results for the six month period ended 31 July 2010 have been restated to separate the continuing core businesses from the businesses which closed during the year ended 31 January 2011.

Therefore, the table above shows the results of the core continuing operations for the two comparable periods excluding, in the prior period, the results of the businesses which were subsequently closed.

Enquiries:

Stephen Marks/Neil Williams/Roy Naismith	French Connection	+44(0)20 7036 7063
Kim Fletcher/Catriona McDermott	Brunswick	+44(0)20 7404 5959

Notes to Editors:**French Connection:**

Following the changes as a result of a strategic review implemented in 2010, the French Connection Group comprises retail and wholesale businesses in the UK, Europe, the US, Canada, Hong Kong and China along with licensed partners operating in a number of other countries most notably Australia, India, Singapore, Vietnam, Russia and South Africa. In addition the Group operates successful brand licences under which partners produce fragrances, jewellery, toiletries, shoes and eyewear. Along with the French Connection brand, the Group operates Great Plains, a wholesale-only ladies' wear range, Toast, an e-commerce fashion and homeware brand, and YMC, a small men's and women's wear brand.

CHAIRMAN'S STATEMENT

I am happy to update you on further improvements in the Group's results during the first half of the financial year. Against the background of difficult retail trading conditions, we achieved growth in like-for-like retail sales and a substantial increase in both wholesale and licensing income. As a result, the Group is reporting a profit after tax in the first half of the financial year for the first time since 2008. This further confirms that we took the correct initiatives in restructuring the Group and we are firmly back on a growth path. In addition, the balance sheet remains very strong with £30.9 million of cash and no bank debt.

In the six months to 31 July, our on-going business generated a 7% increase in revenue to £102.8 million (2010: £96.5 million). The increase was achieved in a difficult trading environment and is testament to the quality of our product range and strength of our brand. Despite the revenue increases, the growth in profitability has been hampered by a reduction in gross margin due to the increase in VAT and higher input costs. Overheads continue to be tightly controlled.

Licensing has grown to become a very important part of the business and during the period we saw the launch of "UK Style by French Connection" in Sears stores in the US. This licence agreement with Li & Fung has made a significant contribution to the increase in royalty income from £1.8 million to £3.0 million.

The profits generated by our joint venture operations in Hong Kong and China, along with the finance income on the net cash held, also contributed to the Group pre-tax profit of £0.7 million (2010: £0.2 million from core continuing operations).

An additional £0.4 million of net profit was generated in the first half of the year in relation to last year's disposal of the Nicole Farhi business and is reflected in the Group's result as income from discontinued operations.

Group profit after tax for the period was £1.0 million, compared with a loss of £(12.7) million last year, which included the losses arising from the closure and disposal of certain businesses.

In our UK/Europe retail business the feel-good factor generated in April by the good weather, bank holidays and the Royal Wedding resulted in a surge in sales volumes during the month in contrast to the beginning of the year. May and June slowed a little but we achieved a very good performance during the end-of-season sale period. Overall we achieved an increase in gross like-for-like sales of 4.6%.

As expected, rises in input costs and the increase in VAT had an impact on the gross margin which was lower than the same period last year. The margin was further eroded by the higher amount of revenue generated during the sale period, although the level of mark-down during the sale was similar to last year. We do not expect the same level of margin erosion in the second half of the year, having worked to mitigate the effects of the increased input prices.

We continue to invest in the increasingly important e-commerce channel to maintain class-leading functionality on our website. Our web sales are supported by both print catalogues and digital initiatives such as électrique, our fashion blog and the website is now multi-currency, to encourage growth in international sales. Elsewhere we continue to work hard to limit the increases in overheads, particularly in rents, which continue to move upwards although more recently at a significantly reduced rate.

Wholesale revenue in UK/Europe was 19% ahead of last year at £20.3 million (2010: £17.0 million) reflecting stronger forward orders and the addition of new customers including our new franchisee in Russia.

Following the restructuring actions we took last year our US business has achieved good growth in both retail and wholesale during the period. This has been offset, however, by a weakening in consumer demand in Canada, which equates to half of our retail revenue in the region. Margins were lower in North America due to the increase in input prices. Overall the division achieved growth in profits assisted by the licensing income from "UK Style".

In the Rest of the World division we saw further improvement from both our wholly-owned and joint ventures businesses, with particularly strong like-for-like sales growth in the China and Hong Kong stores. Our brand has growing international appeal, and we are pleased that during the second half of the year we will see 16 new locations opening across China, Hong Kong, India, Russia, Korea, Lebanon and Jordan bringing the total franchised stores to over 200 in over 20 countries. Additionally, with our joint venture partners in China, it is our intention to open up to a further 25 stores over the next three years. Future store openings are also planned in India, Russia, Korea and Turkey in the coming years.

The Group held £30.9 million of net cash at 31 July 2011 (2010: £30.2 million), despite the costs incurred during the second half of last year in restructuring the business and the resumption of dividend payments. Reflecting the Board's confidence in the future growth of the business, the Board intends to increase the interim dividend by 20% to 0.6 pence per share (2010: 0.5 pence per share).

Our core strategy remains to focus on excellent quality and creative new products. Based on this we aim to grow sales in all of our channels and to develop our international and licensing businesses. There is an opportunity to improve the profitability of the retail businesses and we are currently examining all areas which could provide benefit including the store environment, customer service, product ranges and store portfolio. In relation to this we have recently agreed the profitable disposal of one of our loss-making stores. We will continue to seek out similar opportunities to improve the portfolio in a cost-effective manner.

We are clearly seeing benefit from the global strength of the French Connection brand and are also very well placed domestically to increase profitability further when retail markets recover. We will continue to look for growth in upcoming years.

Although we do not anticipate any easing in the retail environment during the second half of the year, we are confident in the quality and desirability of our ranges and the good increases in wholesale forward orders support this. However, it is difficult to predict how retail sales will develop over the coming months. The rate of erosion of gross margin compared to last year is expected to be less than in the first half of the year and with our continued focus on controlling overheads we remain confident in achieving our expectations for the full year.

Stephen Marks

Chairman and Chief Executive
19 September 2011

BUSINESS REVIEW

Introduction

The tables below show the divisional results of the core continuing operations for the two comparable periods.

Core continuing operations

Six months to 31 July 2011	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
Revenue	54.3	20.3	74.6	10.7	10.2	20.9	7.3		102.8
Gross profit	31.7	6.7	38.4	6.4	3.5	9.9	1.4	1.7	51.4
<i>Gross margin</i>	<i>58.4%</i>	<i>33.0%</i>	<i>51.5%</i>	<i>59.8%</i>	<i>34.3%</i>	<i>47.4%</i>	<i>19.2%</i>		<i>50.0%</i>
Trading overheads	(35.4)	(3.9)	(39.3)	(6.9)	(1.7)	(8.6)	(0.7)		(48.6)
Operating contribution	(3.7)	2.8	(0.9)	(0.5)	1.8	1.3	0.7	1.7	2.8
Common overhead costs			(2.2)			(1.5)	-		(3.7)
Licensing income			2.4			1.1	1.2	(1.7)	3.0
Divisional operating (loss)/profit			(0.7)			0.9	1.9	-	2.1
Central overheads									(1.9)
Share of joint ventures									0.4
Finance income									0.1
Profit before tax									0.7

Six months to 31 July 2010	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
Revenue	51.7	17.0	68.7	11.3	9.3	20.6	7.2		96.5
Gross profit	31.7	6.2	37.9	6.7	3.5	10.2	1.4	1.3	50.8
<i>Gross margin</i>	<i>61.3%</i>	<i>36.5%</i>	<i>55.2%</i>	<i>59.3%</i>	<i>37.6%</i>	<i>49.5%</i>	<i>19.4%</i>		<i>52.6%</i>
Trading overheads	(33.6)	(4.3)	(37.9)	(7.1)	(1.6)	(8.7)	(0.8)		(47.4)
Operating contribution	(1.9)	1.9	-	(0.4)	1.9	1.5	0.6	1.3	3.4
Common overhead costs			(2.0)			(1.7)	-		(3.7)
Licensing income			2.3			-	0.8	(1.3)	1.8
Divisional operating profit/(loss)			0.3			(0.2)	1.4	-	1.5
Central overheads									(2.3)
Share of joint ventures									0.8
Finance income									0.2
Profit before tax									0.2

Overview of Group results

This review will focus on the comparison of the results of the core continuing operations as set out in the tables above.

In the six months to 31 July 2011, revenue was £102.8 million. That is a £6.3 million or 7% increase over the equivalent period last year from the same operations. This increase was generated from sales in each of our regions with much of the growth arising in the wholesale division in UK/Europe as a result of strong forward-orders and continued demand during the season.

As expected, rises in input costs and the increase in VAT had an impact on the Group gross margin which was 260 basis point lower than last year. The margin was also affected by the way the UK consumer is reacting to the difficult economic situation. They are prepared to spend but they are focused on good quality while also searching out bargains. We ran our end-of-season sale in much the same way as last year, but we experienced a very positive reaction from the consumer which resulted in strong sales growth during this period. In the second half of the financial year we have mitigated the effect of input prices such that we expect the Group gross margin for the full year will be 200 basis points lower than last year. Looking further forward, it would appear that cost pressures are reducing and we expect our gross margin to improve during 2012.

Total Group operating expenses were only 1% higher in the period at £54.2 million reflecting general inflation and increasing rents in the retail sector, but also good control of other overheads.

Our licence income increased from £1.8 million to £3.0 million including, for the first time, a contribution from our licence with Li & Fung for the "UK Style by French Connection" brand of clothing supplied to Sears in the US. Our other licensees also continue to perform well.

Our share of the profits of our joint ventures was £0.4 million (2010: £0.8 million), the prior period having benefited from a one-off credit. Finance income was £0.1 million (2010: £0.2 million).

The profit before tax of the core continuing operations was therefore £0.7 million compared to £0.2 million for the corresponding operations last year.

In discontinued operations we recorded a gain of £0.4 million representing further income arising from the disposal of the Nicole Farhi business. Further details of this are given below.

Further analysis of the trading results by division for the first six months of the year and expectations for the second half of the year are set out below.

United Kingdom and Europe - Retail

In the UK/Europe retail business, which accounts for 53% of Group revenue, we generated growth in like-for-like gross sales of 4.6% despite the general weakness in the market. Our total net revenue increased by 5% from £51.7 million to £54.3 million, including a small increase in average space traded.

Over the period we saw an inconsistent rate of sales growth, with good growth during the good weather and bank holidays in April and very strong demand once the end-of-season sale started but rather lacklustre demand in the intervening periods.

We believe this is a result of the caution exercised by the UK consumer in the expectation of difficult times ahead. However, while shoppers are acting more frugally, they are prepared to spend under the right circumstances and on quality products, especially when enticed by discounts. Our approach in this environment is to continue to focus on the quality and design of our products to encourage our customers to buy. We will resist any temptation to chase the short-term gains that could come from increasing our discounting which means we will continue to focus only on end-of-season mark-downs. We believe that this strategy will ensure that we will maintain our position in the market for the long term.

With a difficult retail market, the increase in VAT, pressure from input costs and increasing rent, the operating result from this division deteriorated to £(3.7) million (2010: (£1.9) million) in the period. As we explained in our most recent annual report there is significant opportunity for improvement in the performance of this division and we are focused on enhancing sales levels and developing the store portfolio in order to improve the contribution, albeit that it is likely that this will take some time.

United Kingdom and Europe - Wholesale

Wholesale revenue increased by 19% to £20.3 million representing 20% of Group revenue as a result of strong forward orders for both the Summer season and the new Winter season (which began delivery at the end of the period). This reflects the strength of our brands, both domestically, where existing customers continue to invest in a successful and long-standing brand, and also internationally where we added new customers, notably our new franchisees in Russia, Jordan and Egypt, all of which are performing well.

As expected, the gross margin was affected by higher input costs, in relation to both commodities and manufacturing costs, and an impact from the increased proportion of sales to franchisees resulting in a gross margin of 33.0% (2010: 36.5%).

Overheads remain tightly controlled and the effect of our operational gearing can be seen in the 47% increase in operating contribution to £2.8 million (2010: £1.9 million).

Forward orders for Winter 2011 and Summer 2012 are both showing good growth compared to this time last year. This reflects the strength of the brand, the success our wholesale customers have achieved with our ranges in recent seasons and the quality of the new ranges. Growth in revenue in the second half will also reflect the level of in-season orders, but we expect to be able to achieve a 10% increase in the value of deliveries in the period.

UK/Europe division

Together, the retail and wholesale businesses in UK/Europe incurred an operating loss of £(0.9) million (2010: £(0.0) million). Common overhead costs for the division increased by £0.2 million to £2.2 million reflecting an increased investment in our award-winning advertising campaigns in support of the brand, a level we intend to maintain to ensure that French Connection retains its profile in customers' minds.

Other income in the UK/Europe division of £2.4 million (2010: £2.3 million) represents licensing income discussed further below.

North America division

We have eight stores in the US and 13 stores in Canada along with a growing wholesale business in the US. Together these represent 20% of Group revenue. Following the restructuring actions we took last year the portfolio is now smaller and the remaining US stores have performed well, achieving like-for-like growth of over 10%. The margins have been stronger because we have had considerably less promotional discounting. The Canada market has been more difficult, resulting in an overall growth in like-for-like sales in the North America region of 0.9%. Overheads reduced from the previous year with one less store in Canada and the result was slightly lower at £(0.5) million (2010: £(0.4) million).

In wholesale we achieved a 10% increase in revenue in the period and the margin was lower resulting in a slightly lower contribution of £1.8 million (2010: £1.9 million).

Savings in central overheads along with income from Li & Fung and the US-based fragrance licence has resulted in an improvement in overall regional contribution to £0.9 million from a loss of £(0.2) million.

Rest of the World

Revenue in our wholesale business based in Hong Kong increased a little to £7.3 million (2010: £7.2 million) and represents 7% of Group revenue. With gross margin broadly in-line and overheads tightly controlled the operating contribution was £0.7 million (2010: £0.6 million).

Total other income was £1.2 million (2010: £0.8 million) including commission income earned on shipments to the UK and North America which are eliminated in the consolidation.

The total divisional operating result was a profit of £1.9 million compared to a profit of £1.4 million in the comparable period.

Brand licensing income

We see the strength of our French Connection brand typified in the continuing growth of income generated through the licensing of the brand to third parties. Licence income from external sources amounted to £3.0 million (2010: £1.8 million) including the first contribution arising from our partnership with Li & Fung for the supply of "UK Style by French Connection" clothing to Sears department stores in the US. This arrangement will generate a minimum of £1.5 million royalty income in the year ended 31 January 2012 and further income thereafter. In the period we also saw increased income from our fragrance licence in the US, from Australia and from Specsavers. Our other licensees also continue to perform well and we are considering further opportunities.

Central overheads and financing income

The overheads associated with the central Group management, including IT and legal costs, amounted to £1.9 million in the period, £0.4 million less than last year. This reflected our continuing efforts to reduce costs.

Net finance income of £0.1 million (2010: £0.2 million) was generated in the period with average net funds over the period of £22.2 million compared with £25.9 million last year.

Joint ventures

Both the joint venture retail operations in Hong Kong and China continue to develop well.

In Hong Kong the stores achieved a 33% growth in like-for-like revenues. The store portfolio has changed such that total revenue was lower, but operating profit broadly flat.

Our joint venture in China operates 19 locations and it is our intention to open up to a further 25 stores over the next three years. Revenues increased by 14% in the period and operating profit doubled to a net margin of 10%.

The Group's share of the profits of these two operations amounted to £0.4 million in the period (2010: £0.8 million, including a non-recurring credit of £0.5 million) and dividends are now being paid to the Group.

Profit before tax

With increasing sales volumes, controlled overheads and a healthy uplift in licence income the profit before tax for the period from the continuing businesses improved to £0.7 million in 2011 from a profit of £0.2 million last year.

The income statement for the period to 31 July 2010 also reported the results of the US stores which were trading at that time and which have subsequently closed. Aggregating this with the results of the continuing businesses the total profit before tax for the six months to 31 July 2010 was a loss of £(1.0) million.

The divisional analysis of the loss before tax of the regions for the period to 31 July 2010 including both continuing and discontinued operations is set out in the segmental analysis at Note 1.

Taxation

The tax charge for the period of £0.1 million (2010: £0.2 million) reflects tax charged on profits generated in Hong Kong. The rate of tax in the full year will be in the region of 20% although as we use our tax losses the cash cost will be somewhat less.

Discontinued operations

We generated further net income of £0.4 million in the period in relation to discontinued operations. This included income generated from an arrangement associated with last year's sale of the Nicole Farhi business to OpenGate Capital. Following the disposal, the Group held certain fixed and floating charges over the assets of the Nicole Farhi business as security in relation to the deferred contingent consideration. The Group agreed to alter those charges to allow the Nicole Farhi business to secure bank lending. In return for this, OpenGate agreed to make a cash payment of £0.6 million to the Group and to make changes to the detailed payment arrangements of the deferred contingent consideration

which will have the effect of accelerating any payment. The £0.6 million has been received and is reflected in the income statement. This was offset by the costs of disposal of two "202" stores.

Minority interest

The minority interest amounting to £nil (2010: £0.2 million) represents the net share of profits attributable to the 25% stakes held by the management our Canada, Toast and YMC businesses.

Earnings and dividends

Net profit for the period attributable to equity shareholders was £1.0 million (2010: loss of £(12.5) million). Earnings per share was 1.0 pence (2010: loss of 13.0 pence per share).

Reflecting our substantial cash reserves and the continued cash generating nature of the business, an interim dividend of 0.6 pence per share (2010: 0.5 pence) will be paid on 19 October 2011 to shareholders on the register at 30 September 2011 (ex-dividend date 28 September 2011).

Working capital and net funds

The total cash at 31 July 2011 of £30.9 million was £0.7 million higher than last year's £30.2 million reflecting strong cash generation in the second half of last year offset by the costs of closure of stores in the US.

Due to both the higher average selling price of winter garments and the effect of Christmas and Thanksgiving sales volumes, the business has a marked seasonality in both trading results and cash generation. Typically cash is utilised in the first half of the financial year and any cash generation occurs in the second half of the year with the majority arising in the last quarter.

The cash utilisation in the six month period to 31 July 2011 was £3.3 million compared to £3.8 million last year reflecting the improved trading offset by a higher investment in working capital. Further, the cash position benefited from £1.3 million of cash receipts in relation to the sale of the Nicole Farhi business and was reduced by payment of the final dividend.

Outlook

Following completion of the restructuring of the business the Group is profitable and cash generative over the annual cycle. We have retained a significant cash balance through the restructuring process resulting in a very robust business. Given the risks inherent in our industry, we will continue to act cautiously and retain our strong cash position.

The fashion business is unpredictable and fast-paced requiring constant creative drive and leadership. For almost 40 years since its inception in 1972 French Connection's core strength has been our ability to balance new and exciting ideas with consistent delivery of quality and affordability: design is the bedrock on which our business is built. This ability to keep ahead of changes in fashion and consistently create attractive product ranges remains our core strength and provides the building blocks for our financial performance

The Group has a broad range of distribution channels which we will continue to support including retail, wholesale, franchising and licensing, each in both domestic and international markets. This gives us a broad foundation on which to build our business and our aim is to improve the performance of each of our divisions in order to generate a significantly better net operating margin.

Our wholesale businesses are growing strongly in difficult markets reflecting our brand strength and design quality. We will continue to work with existing and new customers and to seek out new international markets in order to provide further opportunities for growth in both the short and long term.

Our retail portfolios present a significant opportunity for improved performance, especially given the inherent operational gearing in the business. While cost control and operational standards will always be key, significant improvement in performance will come mainly from growth in sales densities. Our careful focus on delivering fashion will ensure that we retain our core strength and provide resilience during these difficult economic times. Then, as consumer spending increases, we expect to be in a position to benefit immediately. In the meantime we are working on all operational areas and more broadly considering actions we can take in order to improve performance. This includes staff recruitment and training, constant improvement in merchandising and on-going development of the character of our stores. Longer term and more substantial benefit will come from changes in the store portfolio to reflect our market position and multiple routes to market. Our UK store leases expire at an average of six per annum over the next ten years and as renewals are sought or other financially attractive opportunities arise we will refine the portfolio in order to enhance the net operating margin in the longer term.

We believe that there will always be a requirement for high street stores to present fashion products but e-commerce is now a key route to market. We are very proud of the success of our websites, our customer service and the level of sales now achieved on-line. We will continue to develop the functionality and services being offered including enhancing the shopping experience and offering faster and easier options for delivery.

Internationally our brand continues to strengthen. We are working with talented partners in key growth markets such as China, Hong Kong, India and Russia and these businesses are achieving strong results encouraging further, careful, expansion. In brand licensing we already have a broad range of highly successful licensees selling products which both benefit from and enhance our brand strength and we will continue to search out more opportunities. The profit stream from these relationships is substantial and it relies on the continued appropriate brand presentation and positioning which we consider is defined by the quality of our fashion designs.

We also have a small stable of other brands which we support with our infrastructure and experience. Toast, YMC and Great Plains will continue to play an important role in the growth of the business, each of them being profitable and achieving growth in the current market.

By continuing to focus on fashion while energetically working to improve all aspects of our day-to-day operations and building our international brand position we believe that we will achieve growth during the current economic challenges and then be in a position to build substantial strength over the longer term. As a result will be able to deliver improving margins and strong cash generation in order to create value for our shareholders.

Related party transactions

During the period the Group disposed of a retail store and restaurant in London to a company controlled by Stephen Marks, the Chairman and Chief Executive. The store had focused on Nicole Farhi products and had been consistently loss-making. The loss on disposal was £0.3 million.

There have been no additional related party transactions to those disclosed in the Group's Annual Report & Accounts for the year ended 31 January 2011.

19 September 2011

French Connection Group PLC
Registered Number: 1410568, England
Registered Office: 20-22 Bedford Row, London WC1R 4JS

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) rule 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) rule 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Stephen Marks
Chairman and Chief Executive

Roy Naismith
Finance Director

19 September 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months 31 July 2011		Six months 31 July 2010			Year ended 31 Jan 2011		
	Note	£m	Core £m	Closed £m	* Re-presented £m	Core £m	Closed £m	£m
Continuing operations								
Revenue	3	102.8	96.5	5.0	101.5	205.0	8.8	213.8
Cost of sales		(51.4)	(45.7)	(2.5)	(48.2)	(98.4)	(4.8)	(103.2)
Gross profit	3	51.4	50.8	2.5	53.3	106.6	4.0	110.6
Operating expenses		(54.2)	(53.4)	(3.7)	(57.1)	(106.8)	(5.9)	(112.7)
Other operating income	4	3.0	1.8	-	1.8	5.8	-	5.8
Operating profit/(loss) before financing	1	0.2	(0.8)	(1.2)	(2.0)	5.6	(1.9)	3.7
Closure costs		-	-	-	-	-	3.5	3.5
Finance income		0.1	0.2	-	0.2	0.2	-	0.2
Finance expenses		-	-	-	-	-	-	-
Net financing income		0.1	0.2	-	0.2	0.2	-	0.2
Operating profit/(loss)		0.3	(0.6)	(1.2)	(1.8)	5.8	1.6	7.4
Share of profit of joint ventures, net of tax		0.4	0.8	-	0.8	1.5	-	1.5
Profit/(loss) before taxation		0.7	0.2	(1.2)	(1.0)	7.3	1.6	8.9
Income tax expense – overseas		(0.1)	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Total income tax expense		(0.1)	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Profit/(loss) for the period from continuing operations		0.6	-	(1.2)	(1.2)	7.1	1.6	8.7
Discontinued operations								
Profit/(loss) from discontinued operations, net of tax	2	0.4	-	(11.5)	(11.5)	-	(11.1)	(11.1)
Profit/(loss) for the period		1.0	-	(12.7)	(12.7)	7.1	(9.5)	(2.4)

* See discontinued operations Note 2.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	£m	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Profit/(loss) for the period			1.0	(12.7)	(2.4)
Other comprehensive income					
Currency translation differences for overseas operations		(0.4)		0.5	-
Currency translation differences on foreign currency loans, net of tax		0.2		0.2	0.3
Effective portion of changes in fair value of cash flow hedges		-		-	0.1
Currency translation differences transferred to profit and loss, net of tax		-		2.5	2.5
Other comprehensive income for the period, net of tax			(0.2)	3.2	2.9
Total comprehensive income for the period			0.8	(9.5)	0.5
Profit/(loss) attributable to:					
Equity holders of the Company	5		1.0	(12.5)	(2.3)
Non-controlling interests			-	(0.2)	(0.1)
Profit/(loss) for the period			1.0	(12.7)	(2.4)
Total comprehensive income attributable to:					
Equity holders of the Company			0.8	(9.3)	0.6
Non-controlling interests			-	(0.2)	(0.1)
Total income and expense recognised for the period			0.8	(9.5)	0.5
Earnings per share					
Basic and diluted earnings/(losses) per share	5		1.0p	(13.0)p	(2.4)p
Continuing operations					
Basic and diluted earnings/(losses) per share	5		0.6p	(1.0)p	9.2p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2011 £m	31 July 2010 £m	31 Jan 2011 £m
Assets				
Non-current assets				
Intangible assets		2.4	2.4	2.4
Property, plant and equipment		7.5	9.9	8.5
Investments in joint ventures		3.3	3.1	3.4
Deferred tax assets		4.1	4.1	4.1
Total non-current assets		17.3	19.5	18.4
Current assets				
Inventories		46.7	42.2	40.3
Trade and other receivables		27.8	23.8	25.6
Cash and cash equivalents	6	30.9	30.2	34.1
Total current assets		105.4	96.2	100.0
Total assets		122.7	115.7	118.4
Non-current liabilities				
Deferred tax liabilities		0.9	0.8	0.9
Total non-current liabilities		0.9	0.8	0.9
Current liabilities				
Trade and other payables		48.3	43.8	43.1
Current tax payable		1.1	0.7	1.1
Derivative financial instruments		-	0.1	-
Provisions		0.9	8.0	1.5
Total current liabilities		50.3	52.6	45.7
Total liabilities		51.2	53.4	46.6
Net assets		71.5	62.3	71.8
Equity				
Called-up share capital		1.0	1.0	1.0
Share premium account		9.4	9.4	9.4
Other reserves		5.5	6.0	5.7
Retained earnings		54.6	44.9	54.6
Total equity attributable to equity holders of the Company		70.5	61.3	70.7
Non-controlling interests		1.0	1.0	1.1
Total equity		71.5	62.3	71.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months 31 July 2011	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance at 31 January 2011	1.0	9.4	-	5.7	54.6	70.7	1.1	71.8
Profit					1.0	1.0	-	1.0
Other comprehensive income								
Currency translation differences for overseas operations				(0.4)		(0.4)		(0.4)
Currency translation differences on foreign currency loans, net of tax				0.2		0.2		0.2
Transactions with owners recorded directly in equity								
Dividends					(1.0)	(1.0)		(1.0)
Transactions with non- controlling interests, recorded directly in equity								
Dividends							(0.1)	(0.1)
Balance at 31 July 2011	1.0	9.4	-	5.5	54.6	70.5	1.0	71.5

Six months 31 July 2010	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance at 31 January 2010	1.0	9.4	(0.1)	2.9	57.9	71.1	1.2	72.3
Loss					(12.5)	(12.5)	(0.2)	(12.7)
Other comprehensive income								
Currency translation differences for overseas operations				0.5		0.5		0.5
Currency translation differences on foreign currency loans, net of tax				0.2		0.2		0.2
Currency translation differences transferred to profit and loss net of tax				2.5		2.5		2.5
Transactions with owners recorded directly in equity								
Dividends					(0.5)	(0.5)		(0.5)
Balance at 31 July 2010	1.0	9.4	(0.1)	6.1	44.9	61.3	1.0	62.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Operating activities				
Profit/(loss) for the period		1.0	(12.7)	(2.4)
Adjustments for:				
Depreciation and impairment		1.4	1.9	3.7
Restructuring costs		-	-	(3.5)
(Gain)/loss on disposal of discontinued operation, net of tax	2	(0.5)	6.2	5.7
Finance income		(0.1)	(0.2)	(0.2)
Share of profit of joint ventures		(0.4)	(0.8)	(1.5)
Non-operating profit on property, plant and equipment		-	-	(0.2)
Income tax expense		0.1	0.2	0.2
Currency translation differences		-	2.5	2.6
Operating profit/(loss) before changes in working capital and provisions				
		1.5	(2.9)	4.4
(Increase)/decrease in inventories		(6.8)	(1.0)	0.8
Increase in trade and other receivables		(2.7)	(0.3)	(1.8)
Increase/(decrease) in trade and other payables		4.7	0.4	(0.6)
Cash flows from operations				
		(3.3)	(3.8)	2.8
Income tax (paid)/received		(0.1)	(0.1)	0.3
Cash flows from operating activities				
		(3.4)	(3.9)	3.1
Investing activities				
Interest received		0.1	0.1	0.2
Proceeds from investment in joint ventures		0.4	0.2	0.7
Acquisition of property, plant and equipment		(0.4)	(0.5)	(1.0)
Net proceeds from sale of property, plant and equipment		-	0.2	0.3
Disposal of discontinued and closed operations	2	1.3	(1.4)	(4.2)
Cash flows from investing activities				
		1.4	(1.4)	(4.0)
Financing activities				
Dividends paid		(1.1)	(0.5)	(1.0)
Cash flows from financing activities				
		(1.1)	(0.5)	(1.0)
Net decrease in cash and cash equivalents				
	6	(3.1)	(5.8)	(1.9)
Cash and cash equivalents at 1 February		34.1	35.7	35.7
Exchange rate fluctuations on cash held		(0.1)	0.3	0.3
Cash and cash equivalents at period end				
	6	30.9	30.2	34.1

NOTES TO THE HALF-YEAR STATEMENT

1. Operating segments

Six months to 31 July 2011	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
	Revenue	54.8	20.3	75.1	10.8	10.2	21.0	7.3	
Gross profit	31.8	6.7	38.5	6.5	3.5	10.0	1.4	1.7	51.6
<i>Gross margin</i>	<i>58.0%</i>	<i>33.0%</i>	<i>51.3%</i>	<i>60.2%</i>	<i>34.3%</i>	<i>47.6%</i>	<i>19.2%</i>		<i>50.0%</i>
Trading overheads	(35.7)	(3.9)	(39.6)	(6.9)	(1.7)	(8.6)	(0.7)		(48.9)
Operating contribution	(3.9)	2.8	(1.1)	(0.4)	1.8	1.4	0.7	1.7	2.7
Common overhead costs			(2.2)			(1.5)	-		(3.7)
Licensing income			2.4			1.1	1.2	(1.7)	3.0
Divisional operating (loss)/profit			(0.9)			1.0	1.9	-	2.0
Central overheads									(1.9)
Operating profit before financing and closure costs									0.1
Represented by:									
Profit from continuing operations									0.2
Loss from discontinued operations (Note 2)									(0.1)
									0.1

Six months to 31 July 2010	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
	Revenue	54.3	21.9	76.2	17.1	9.4	26.5	7.2	
Gross profit	35.4	5.7	41.1	9.6	3.5	13.1	1.4	1.5	57.1
<i>Gross margin</i>	<i>65.2%</i>	<i>26.0%</i>	<i>53.9%</i>	<i>56.1%</i>	<i>37.2%</i>	<i>49.4%</i>	<i>19.4%</i>		<i>52.0%</i>
Trading overheads	(38.4)	(4.7)	(43.1)	(11.4)	(1.7)	(13.1)	(0.8)		(57.0)
Operating contribution	(3.0)	1.0	(2.0)	(1.8)	1.8	-	0.6	1.5	0.1
Common overhead costs			(2.6)			(1.9)			(4.5)
Licensing income			2.6				0.8	(1.5)	1.9
Divisional operating (loss)/profit			(2.0)			(1.9)	1.4	-	(2.5)
Central overheads									(2.3)
Operating loss before financing and closure costs									(4.8)
Represented by:									
Loss from continuing operations									(2.0)
Loss from discontinued operations (Note 2)									(2.8)
									(4.8)

Finance income has not been separately allocated to the respective divisions as this income is generated by the Group treasury department which is managed centrally.

The share of the results of the joint venture operations of £0.4 million (2010: £0.8 million) relate to the Rest of the World retail operations and are not disclosed in the information above.

NOTES TO THE HALF-YEAR STATEMENT

2. Discontinued operations

In the prior financial year on 2 July 2010, the Group completed the sale of the trading, assets and liabilities of the Nicole Farhi business ("the Disposal Group") to OpenGate Capital ("the Purchaser") for a consideration of up to £5.0 million. At 2 July 2010, the Nicole Farhi Disposal Group comprised assets of £5.2 million and liabilities of £2.8 million along with cash of £1.0 million. Further, French Connection undertook to support the transition of the Nicole Farhi business into new ownership by providing support office functions and other transitional services for up to two years at no cost to the Purchaser and also to provide financial support for restructuring costs during the first year. A total of £2.2 million was provided in relation to these costs. Transactional costs of £1.1 million comprising legal and other advisory fees were expensed as part of the loss on disposal.

The consideration of up to £5.0 million comprised £0.5 million in cash, paid on completion, followed by further payments of up to £4.5 million in cash, payable from 50% of the net cash generation of the Nicole Farhi business over subsequent years with an upper limit of £1.0 million payable per year (upper limit of £0.5 million in the first year). Any outstanding consideration will be settled insofar as possible from any sales proceeds achieved from any subsequent sale of the business by the Purchaser. The deferred payments are accounted for as contingent consideration. The Directors assessed the amount of the consideration to be recognised based on the "virtually certain" criteria set out in IFRS. At 31 July 2010, none of the deferred consideration was reflected in the loss on sale. At 31 January 2011 a total of £0.5 million of the total deferred consideration was reflected in the loss on sale and was subsequently received in cash.

In addition to the loss on disposal of £(6.2) million the Disposal Group generated trading losses of £(2.8) million in the period to 31 July 2010 and currency translation differences of £(2.5) million were recycled from reserves to the income statement generating a total loss from discontinued operations within the income statement for the six months ended 31 July 2010 of £(11.5) million.

By 31 January 2011 this loss had been mitigated by the £0.5 million of deferred consideration accounted for at that time offset by the continuing trading and currency losses associated with two former Nicole Farhi stores which were sold in the six month period to 31 July 2011.

During the period ended 31 July 2011, the Group received a further £0.6 million from OpenGate Capital relating to payment for the release of the Group's first charge over the intellectual property rights of the Nicole Farhi business described further in the Business Review. Further, the Group incurred trading and disposal losses in relation to the final two stores sold in the period.

The statement of comprehensive income for the period ended 31 July 2010 has been re-presented in order to reflect minor changes in the composition of the discontinued operations.

	Six months 31 July 2011 £m	Restated Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Results of discontinued operations			
Revenue	0.6	8.4	10.0
Expenses	(0.7)	(11.2)	(12.8)
Results from operating activities before financing and exceptional costs	(0.1)	(2.8)	(2.8)
Currency translation differences	-	(2.5)	(2.6)
Results from operating activities before taxation	(0.1)	(5.3)	(5.4)
Income tax	-	-	-
Results from operating activities, net of tax	(0.1)	(5.3)	(5.4)
Profit/(loss) on sale of discontinued operation	0.5	(6.2)	(5.7)
Effect on loss for the period	0.4	(11.5)	(11.1)
	31 July 2011 £m	31 July 2010 £m	31 Jan 2011 £m
Cash flows utilised in discontinued operations			
Net cash used utilised in operating activities	(0.3)	(3.2)	(3.4)
Net cash used from investing activities	1.3	(1.4)	(1.9)
Net cash utilised in discontinued operations	1.0	(4.6)	(5.3)

Included within investing activities on the cash flow statement for the comparative period ended 31 January 2011 is £2.3 million of US closure costs relating to continuing operations.

NOTES TO THE HALF-YEAR STATEMENT

2. Discontinued operations (continued)

	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Effect of disposal of the Nicole Farhi business on the financial position of the Group			
Inventories	(0.3)	(2.8)	(2.8)
Trade and other receivables	-	(2.4)	(2.4)
Cash	-	(1.0)	(1.0)
Trade and other payables	-	2.8	2.8
Net assets and liabilities	(0.3)	(3.4)	(3.4)
Cash consideration net of costs of disposal	0.8	(0.6)	(0.1)
Provisions for cost of transitional services and restructuring costs	-	(2.2)	(2.2)
Profit/(loss) on sale of discontinued operation	0.5	(6.2)	(5.7)

3. Revenue and gross margin

	Continuing operations			Discontinued operations Restated*			Consolidated operations		
	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Sale of goods									
Revenue	102.8	101.5	213.8	0.6	8.4	10.0	103.4	109.9	223.8
Gross profit	51.4	53.3	110.6	0.2	3.8	5.2	51.6	57.1	115.8

* See discontinued operations Note 2.

4. Other operating income

	Six months 31 July 2011 £m	Six months 31 July 2010 £m	Year ended 31 Jan 2011 £m
Licensing income	3.0	1.8	5.8

NOTES TO THE HALF-YEAR STATEMENT

5. Earnings/(losses) per share

Basic earnings or losses per share are calculated on 95,879,754 shares being the weighted average number of ordinary shares in all of the periods.

Diluted earnings per share are calculated on 97,080,437 shares being the weighted average number of ordinary shares in the period ended 31 July 2011 (95,879,754 shares being the weighted average number of ordinary shares in the periods ended 31 July 2010 and 31 January 2011; there being no dilutive effect from options).

Basic and diluted earnings/(losses) per share of 1.0 pence per share (2010: (13.0) pence) is based on £1.0 million (2010: £(12.5) million) being the profit/(loss) attributable to equity shareholders.

On continuing operations the basic earnings/(losses) per share of 0.6 pence per share (2010: restated losses of (1.0) pence) is based on £0.6 million (2010: restated losses of £(1.0) million) being the profit/(loss) relating to continuing operations attributable to equity shareholders.

On discontinued operations the basic earnings/(losses) per share of 0.4 pence per share (2010: restated losses of (12.0) pence) is based on £0.4 million (2010: restated losses of £(11.5) million) being the loss relating to discontinued operations.

The reconciliation to adjusted earnings per share is as follows:

	Six months 31 July 2011 continuing £m	Continuing pence per share	Restated * Six months 31 July 2010 continuing £m	Restated * Continuing pence per share	Year ended 31 Jan 2011 continuing £m	Continuing pence per share
Profit/(loss) attributable to equity shareholders	0.6	0.6p	(1.0)	(1.0)p	8.8	9.2p
US closed stores	-	-	1.2	1.2p	1.9	2.0p
Closure costs provision	-	-	-	-	(3.5)	(3.7)p
Adjusted result and earnings per share	0.6	0.6p	0.2	0.2p	7.2	7.5p

* See income statement.

6. Analysis of net funds

	31 January 2011 £m	Cash flow £m	Non cash changes £m	31 July 2011 £m	31 July 2010 £m
Cash and cash equivalents in the balance sheet and cash flow	34.1	(3.1)	(0.1)	30.9	30.2
Net funds	34.1	(3.1)	(0.1)	30.9	30.2

NOTES TO THE HALF-YEAR STATEMENT

7. Statutory accounts and basis of preparation of half-year financial statements

Reporting entity

French Connection Group PLC is a Company registered in England and Wales and resident in the United Kingdom. These condensed consolidated half-year financial statements of the Company as at and for the six months ended 31 July 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended 31 January 2011 are available upon request from the Company's registered office at 20-22 Bedford Row, London WC1R 4JS or can be found on the Group website www.frenchconnection.com.

Principal activities

The principal activity of the Group is the international retailing and wholesaling of branded fashion clothing and accessories and the licensing of its brands.

Statement of compliance

These condensed consolidated half-year financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the EU.

As required by the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"), the condensed consolidated half-year financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 January 2011, which are prepared in accordance with IFRS as adopted by the EU.

These condensed consolidated half-year financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on *Review of Interim Financial Information*. The comparative figures for the year ended 31 January 2011 are not the Company's statutory accounts for that period. Those accounts have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Board of Directors approved the condensed consolidated half-year financial statements on 19 September 2011.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated half-year financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2011.

Key sources of estimation uncertainty

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2011.

Principal risks and uncertainties

The principal treasury risks to the Group arise from exchange rate and interest rate fluctuations. The Board has approved policies for managing these risks, which are reviewed on a regular basis, including the use of financial instruments, principally forward foreign exchange contracts. No transactions of a speculative nature are undertaken.

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the Hong Kong Dollar and Euro. The Group's policy is to reduce substantially the risk associated with purchases denominated in currencies other than Sterling by using forward fixed rate currency purchase contracts.

There has been no change since the year-end to the major treasury risks faced by the Group or the Group's approach to the management of these risks.

The Group is dependent on reliable IT systems for managing and controlling its business and for providing efficiency and speed in the supply chain. The Group's IT function oversees all the systems and has policies and procedures to protect the software, hardware and data and to prevent unauthorised access to the systems.

The Board confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group.

Going concern

The Group has a strong balance sheet with more than sufficient net funds to finance the working capital requirements over the cycle of a year. The Board is focused on preserving the Group's cash and on developing strategies to increase the Group's cash generation. The level of funds is sufficient to ensure that no external funding will be required throughout the remainder of this year. Based on this, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing these half-year financial statements.

NOTES TO THE HALF-YEAR STATEMENT

8. Retail locations

Core continuing operations	31 July 2011		31 January 2011		
	Locations	sq ft	Locations	sq ft	
Operated locations					
UK/Europe					
French Connection	Stores	73	223,858	72	221,858
French Connection/Great Plains	Concessions	44	29,156	45	25,837
Toast	Stores	9	10,578	9	10,578
YMC	Stores	2	1,355	2	1,355
Total UK/Europe		128	264,947	128	259,628
North America					
French Connection - US	Stores	8	37,227	8	40,862
French Connection - Canada	Stores	13	36,535	13	36,535
Total North America		21	73,762	21	77,397
Total operated locations		149	338,709	149	337,025
French Connection licensed and franchised					
UK/Europe		11	15,430	13	18,460
North America		1	2,000	1	2,000
Middle East		10	20,331	13	25,331
Australia		86	89,810	80	84,800
Hong Kong		7	9,521	6	9,336
China		19	27,334	20	28,562
India		27	23,993	25	21,835
Russia		2	3,637	-	-
Other		34	32,479	41	42,035
Total licensed and franchised locations		197	224,535	199	232,359
Total branded locations		346	563,244	348	569,384