



YOU
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MAN?

FRENCH CONNECTION

FINANCIAL RESULTS 31 JANUARY 2011

Results Summary: Core Continuing Operations

	Year to 31 January 2011	Year to 31 January 2010
* Revenue	£205.0 million	£200.8 million
* Gross margin	52.0%	51.5%
* Profit before tax	£7.3 million	£0.7 million
* Earnings per share	7.5 pence	0.5 pence
* Closing net cash	£34.1 million	£35.7 million
* Dividend per share	1.5 pence	0.5 pence

Overview of Business

- * Core Continuing Operations:
 - UK/Europe retail with 115 French Connection trading locations
 - North America retail business with 21 stores
 - Worldwide wholesale businesses based in UK, US and Hong Kong
 - French Connection product and territory licensing
 - Toast, Great Plains and YMC brands
- * French Connection brand generates over £400m of sales at retail
- * Restructuring now complete, with costs tightly managed
 - £3.5m of savings against initial expectations
- * Solid foundation on which to develop the business

Overview of Results

- * Significant rise in profit before tax to £7.3 million
- * Return to strong growth in wholesale revenue in all regions
- * Retail resilient in challenging market conditions
- * e-Commerce continuing to grow rapidly
- * Toast developing and profitable
- * Improvement in gross margin
- * Costs remain tightly controlled
- * Licence income significantly ahead
- * Joint ventures in Hong Kong and China continue to grow revenue and profits
- * Cash at £34.1 million, minimum of £19 million in the year

Details by Division

UK/Europe Retail

- * Revenue
 - growth in men’s wear marks turning point
 - ladies’ wear softer
 - like-for-like sales down 1.4% on last year
 - 3% decrease in average space traded
 - e-commerce strongly ahead and further website developments implemented
 - Toast continues to show good growth
- * Gross margin
 - gains in first half offset by effect of input costs in second half
 - cost pressures continue
- * Overheads
 - carefully controlled but affected by rent and rates increases
- * Contribution
 - performance needs to improve
 - focus being place on increasing store sales densities and managing the gross margin

	FY11 £m	FY10 £m	var
Revenue	110.8	114.8	-3%
Gross profit	66.4	69.1	-4%
Gross margin	59.9%	60.2%	-0.3%
Overheads	(68.0)	(68.8)	-1%
Contribution	(1.6)	0.3	
At period end:			
Stores/concessions	128	125	+2%
Space (000 ft²)	260	257	+1%

Retail changes in past 12 months

- 2 new Toast stores
- 1 new YMC store
- 1 new French Connection concession
- 1 location closed

UK/Europe Wholesale

- * Revenue growth 11%
 - return to growth for first time in three years
 - Winter 2011 forward orders currently ahead of last year
- * Gross margin
 - higher levels of full price sales and less discounting
- * Overheads
 - reductions made in promotion and showroom expenses
- * Contribution
 - 16% net margin at contribution level

	FY11 £m	FY10 £m	var
Revenue	36.1	32.6	+11%
Gross profit	13.2	9.7	+36%
Gross margin	36.6%	29.8%	+6.8%
Overheads	(7.4)	(8.6)	-14%
Contribution	5.8	1.1	

UK/Europe Contribution

- * Common overheads
 - additional expenditure on advertising
- * Licence income
 - toiletries, eyewear, watches, performing well
 - licensed stores in Australia, Asia, Middle East
- * Divisional result
 - profit of £6.9 million

	FY11 £m	FY10 £m
Retail contribution	(1.6)	0.3
Wholesale contribution	5.8	1.1
Total trading contribution	4.2	1.4
Common overheads	(4.2)	(3.8)
External licence income	5.8	4.9
Internal licence income*	1.1	1.2
	6.9	3.7
Loss on disposals	-	(0.8)
Divisional operating result	6.9	2.9

* Internal licence income is eliminated in group consolidated results.

North America Retail

- * Retail revenue
 - small increase in total revenue
 - like-for-like sales down 4.5%
 - US slightly ahead, Canada softer
 - 5% benefit from exchange rates
- * Gross margin
 - less promotional mark-down in US
- * Overheads
 - increase entirely due to exchange rate changes
 - underlying costs reduced
- * Contribution
 - consistent with prior year, despite weakness in Canada

	FY11 £m	FY10 £m	var
Revenue	23.2	22.9	+1%
Gross profit	13.6	13.2	+3%
Gross margin	58.6%	57.6%	+1.0%
Overheads	(14.2)	(13.7)	+4%
Contribution	(0.6)	(0.5)	+20%
At period end:			
Stores	21	22	-5%
Space (000 ft²)	77	80	-3%

North America Wholesale

- * Wholesale revenue
 - 10% year-on-year growth
 - increased sales to department and speciality stores
- * Gross margin up
 - higher proportion of full-price sales
 - less clearance activity
- * Overheads
 - minor increase in Dollar terms
- * Contribution
 - 22% net margin at contribution level

	FY11 £m	FY10 £m	var
Revenue	19.5	17.8	+10%
Gross profit	7.5	6.0	+25%
Gross margin	38.5%	33.7%	+4.8%
Overheads	(3.3)	(3.1)	+6%
Contribution	4.2	2.9	+45%

North America Contribution

- * Common overheads
 - small increase in advertising expenditure
- * Divisional contribution
 - improved by £1.1m

	FY11 £m	FY10 £m
Retail contribution	(0.6)	(0.5)
Wholesale contribution	4.2	2.9
Trading contribution	3.6	2.4
Common overheads	(3.6)	(3.5)
Divisional operating result	-	(1.1)

Rest of World

- * Revenue increase
 - increasing volumes to existing and new regional licensees
- * Underlying margins consistent
 - blended margin reflects differing arrangements with licensees and mix of sales
- * Other income
 - internal buying office commission from UK, US and Canada
- * Contribution
 - 13% increase in contribution
- * Share of Joint Ventures
 - Hong Kong and China retail both profitable and growing
 - one-off benefit in year of £0.5m

	FY11 £m	FY10 £m	var
Revenue	15.4	12.7	+21%
Gross profit	2.8	2.5	+12%
Gross margin	18.2%	19.7%	-1.5%
Overheads	(1.3)	(1.2)	+8%
Contribution	1.5	1.3	+15%
Other income	2.0	1.8	+11%
Divisional result	3.5	3.1	+13%
Share of joint ventures	1.5	0.4	

Group Result

- * Strong contribution from regional divisions
- * Finance income
 - continuing low rates of interest on higher average cash balance
- * Share of Joint Ventures
 - strong performance in Hong Kong and China
- * Taxation
 - charge on Hong Kong profits
- * Dividend
 - 0.5 pence paid at Interim
 - further 1.0 pence proposed final
 - aim to increase dividend in line with growth in profits

Core Continuing Operations	FY11 £m	FY10 £m
Total regional contributions	10.4	4.9
Group management overheads	(4.8)	(4.7)
Operating result before interest	5.6	0.2
Net finance income	0.2	0.1
Joint ventures	1.5	0.4
Profit before tax	7.3	0.7
Tax	(0.2)	(0.2)
Profit after tax	7.1	0.5
Earnings per share	7.5p	0.5p
Dividend per share	1.5p	0.5p

Discontinued and Closed Operations

- * Restructuring complete
 - 15 US stores disposed of during year; shown as “closed”
 - Nicole Farhi business sold in July 2010; treated as “discontinued”
- * Costs below estimate
 - US closure costs less than expectation resulting in £3.5 million credit to income statement
- * Cash impact
 - cash costs of restructuring - £4.2 million
 - cash utilised in trading of terminated businesses - £3.4 million

	FY11 £m	FY10 £m
Closed operations:		
Losses in year of closed US stores	(1.9)	(3.2)
US closure costs	3.5	(6.5)
	1.6	(9.7)
Discontinued Operations:		
Results in year of discontinued operations	(2.8)	(9.0)
Loss on disposals	(5.7)	-
Impairment of assets held for sale	-	(3.8)
Closure costs	-	(2.8)
Currency translation differences	(2.6)	0.4
Income tax	-	(0.5)
Total discontinued and closed	(9.5)	(25.4)

Cash flow

- * Core continuing operations were cash generative
 - operating cash flow from continuing activities £6.5 million
- * Investing and financing activities utilised £0.8 million
- * Dividend
 - prior year final and interim paid during year
- * Closed and discontinued
 - utilised £7.6 million in year
- * Closing cash
 - £34.1 million with no debt
 - £19 million minimum in year

	FY11 £m	FY10 £m
Core Continuing Operations:		
Cash flow from operating activities	6.5	8.7
Interest income	0.2	0.2
Acquisition and sale of property	(0.7)	(2.7)
Dividends from joint ventures	0.7	-
Finance lease payments	-	(1.2)
Dividends paid	(1.0)	(0.6)
	5.7	4.4
Closed and discontinued operations:		
Trading cash flow	(3.4)	(7.4)
Cost of closure and disposals	(4.2)	-
	(7.6)	(7.4)
Movement in cash	(1.9)	(3.0)
Opening net cash	35.7	38.4
Non-cash movements	0.3	0.3
Closing net cash	34.1	35.7

Business Development



French Connection

- core of the business, supported by distinctive marketing
- continuing to focus on designing fashionable collections



Retail – enhancing the shopping experience

- visual merchandising
- customer service
- store environment
- web developments to drive e-Commerce



Wholesale

- maintain sales growth momentum by expanding customer base and creating good sell-through
- e-Commerce and export opportunities
- new franchises in Russia, Hungary, Turkey and Jordan



Licensing

- existing product licensees continuing to grow
- “UK Style by French Connection” brand launched in Sears department stores in US
- territory licensees performing well
- new licence opportunities being pursued

Business Development



Toast

- continues to generate growth in both retail and mail order
- additional management resources to be added to accelerate growth and develop business
- currently c10% of UK retail revenue



Other brands

- Great Plains a solid performer with continuing good wholesale orders
- YMC growing well from a very small base on good sell-throughs



2011 Outlook

- retail environment expected to remain subdued; current trading reflects this
- gains in market share are likely to be difficult to achieve
- wholesale forward orders currently over 15% ahead
- raw materials and manufacturing cost increases likely to affect Group gross margin
- licensing income will benefit from “UK Style” minimum royalties of £1.5 million in FY12



Longer term goal

- targeting 10% net operating margin
- this to be achieved through increased retail sales densities and growing wholesale volumes
- accelerating growth in other brands
- further licensing opportunities

Appendices

Operating Segments FY11

Core Continuing Operations

**Year to January
2011**

**Continuing
Operations**

	UK/Europe			North America			Rest of World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
Revenue	110.8	36.1	146.9	23.2	19.5	42.7	15.4		205.0
Gross profit	66.4	13.2	79.6	13.6	7.5	21.1	2.8	3.1	106.6
<i>Gross margin</i>	<i>59.9%</i>	<i>36.6%</i>	<i>54.2%</i>	<i>58.6%</i>	<i>38.5%</i>	<i>49.4%</i>	<i>18.2%</i>		<i>52.0%</i>
Trading overheads	(68.0)	(7.4)	(75.4)	(14.2)	(3.3)	(17.5)	(1.3)		(94.2)
Operating contribution	(1.6)	5.8	4.2	(0.6)	4.2	3.6	1.5	3.1	12.4
Common overhead costs			(4.2)			(3.6)	-		(7.8)
Licensing income			6.9			-	2.0	(3.1)	5.8
Gain on disposal			-			-	-		-
Divisional operating result			6.9			0.0	3.5	-	10.4
Group management overheads									(4.8)
Operating profit before financing costs									5.6
Net financing income									0.2
Share of profits of Joint Ventures									1.5
Profit before taxation									7.3

Operating Segments FY10

Core Continuing Operations

**Year to January
2010**

**Continuing
Operations**

	UK/Europe			North America			Rest of World	Intra Group	Total
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m	Whole- sale £m	£m	£m
Revenue	114.8	32.6	147.4	22.9	17.8	40.7	12.7		200.8
Gross profit	69.1	9.7	78.8	13.2	6.0	19.2	2.5	3.0	103.5
<i>Gross margin</i>	<i>60.2%</i>	<i>29.8%</i>	<i>53.5%</i>	<i>57.6%</i>	<i>33.7%</i>	<i>47.2%</i>	<i>19.7%</i>		<i>51.5%</i>
Trading overheads	(68.8)	(8.6)	(77.4)	(13.7)	(3.1)	(16.8)	(1.2)		(95.4)
Operating contribution	0.3	1.1	1.4	(0.5)	2.9	2.4	1.3	3.0	8.1
Common overhead costs			(3.8)			(3.5)	-		(7.3)
Licensing income			6.1			-	1.8	(3.0)	4.9
Loss on disposal			(0.8)			-	-		(0.8)
Divisional operating result			2.9			(1.1)	3.1	-	4.9
Group management overheads									(4.7)
Operating profit before financing costs									0.2
Net financing income									0.1
Share of profits of Joint Ventures									0.4
Profit before taxation									0.7

Balance Sheet

	Jan 11 £m	Jan 10 £m
Intangible assets	2.4	2.4
Tangible assets	8.5	11.1
Investments	3.4	2.6
Deferred tax assets	4.1	4.1
Total non-current assets	18.4	20.2
Inventories	40.3	40.8
Debtors	25.6	26.9
Cash at bank	34.1	35.7
Assets held for sale	-	6.4
Total current assets	100.0	109.8
Total assets	118.4	130.0
Non-current liabilities	(0.9)	(0.8)
Creditors	(44.2)	(43.4)
Provisions	(1.5)	(8.7)
Derivative financial instruments	-	(0.1)
Liabilities held for sale	-	(4.7)
Total liabilities	(46.6)	(57.7)
Net assets	71.8	72.3

CORE CONTINUING OPERATIONS

OPERATED LOCATIONS

UK/Europe

French Connection	Stores
French Connection	Concessions
Toast	Stores
YMC	Stores
Great Plains	Concessions

Total operated locations, UK/Europe

North America

French Connection US	Stores
French Connection Canada	Stores

Total operated locations, North America

TOTAL OPERATED LOCATIONS

FRENCH CONNECTION LICENSED & FRANCHISED

UK/Europe	13	18,460	13	16,560
North America	1	2,000	1	2,000
Middle East	13	25,331	17	30,195
Australia	80	84,800	53	76,513
Hong Kong	6	9,336	6	9,336
China	20	28,562	19	27,876
India	25	21,835	20	16,944
Other	41	42,035	42	44,283

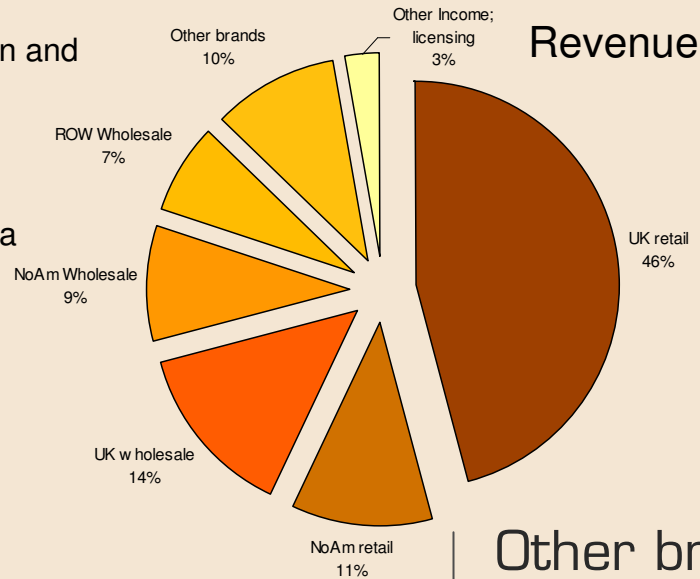
TOTAL LICENSED AND FRANCHISED LOCATIONS

		January 2011		January 2010	
		Locations	sq ft	Locations	sq ft
		72	221,858	73	222,826
		43	24,779	42	24,239
		9	10,578	7	8,270
		2	1,355	1	505
		2	1,058	2	1,058
Total operated locations, UK/Europe		128	259,628	125	256,898
		8	40,862	8	40,862
		13	36,535	14	39,135
Total operated locations, North America		21	77,397	22	79,997
TOTAL OPERATED LOCATIONS		149	337,025	147	336,895
		13	18,460	13	16,560
		1	2,000	1	2,000
		13	25,331	17	30,195
		80	84,800	53	76,513
		6	9,336	6	9,336
		20	28,562	19	27,876
		25	21,835	20	16,944
		41	42,035	42	44,283
TOTAL LICENSED AND FRANCHISED LOCATIONS		199	232,359	171	223,707

Business Overview

FRENCH CONNECTION

- * Fashion-forward clothing for style conscious men and women
- * Design-led, good quality at accessible prices
- * Global brand
- * Retail and e-commerce in UK and North America
- * Wholesale in UK and US
- * Product licensees
- * Licensed retail partners globally
- * Global branded sales at least £400m



Global representation

- UK/Europe retail:** 72 stores, 43 concessions, 247,000 ft², across UK and Ireland, Spain and Portugal; and e-commerce
- North America retail:** 21 stores, 77,000 ft², Canada and selected US cities, e-commerce
- Wholesale customers:** over 1,000 customers; department stores and independents in UK, Europe and US and our retail partners worldwide
- Retail partners:** Hong Kong (joint venture), China (joint venture), Australia, Middle East, Pacific Rim and Russia with a total of 199 stores, 232,000 ft²
- Product licensees:** toiletries (Boots), jewellery, shoes, eye-wear, watches perfume, value clothing range (Sears department stores)
- Retail licensees:** Australia, India, China, Hong Kong, Vietnam, Middle East, Singapore, Malaysia, Taiwan, Thailand, Indonesia, Philippines

Other brands



TOAST

Modern but grounded clothing & home products for women & men sold through catalogue, e-commerce and retail.



YMC

Distinctive, modern, menswear and women's wear. Wholesale, two retail stores, e-commerce

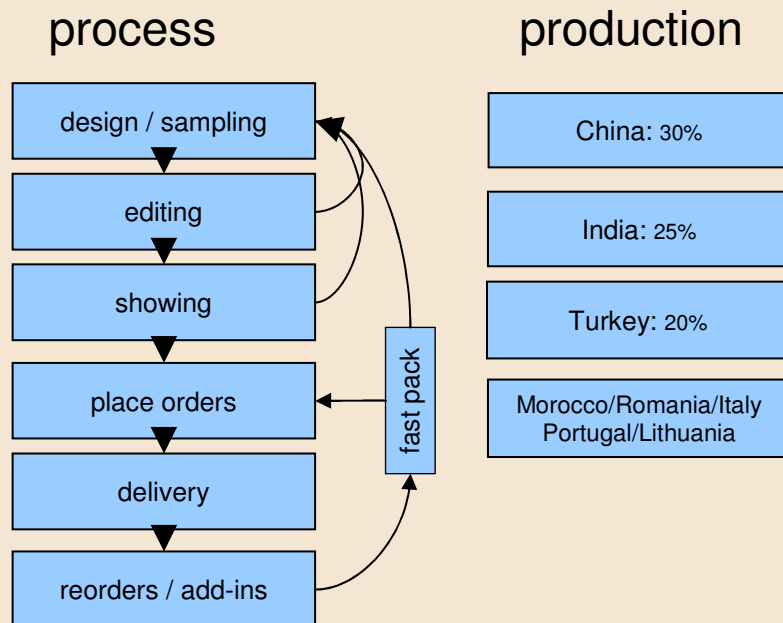


Great Plains

Easy to wear ladies' fashion sold through wholesale.

Sourcing

- * Design is in-house by team of designers in head office in Camden
- * Local offices in Hong Kong, India, Turkey and Poland locate and manage manufacturing resources
- * No owned manufacturing
- * Wholesale sales orders received prior to production order placement
- * Re-supply turn-around time dependent on cloth availability; 4 – 12 weeks



Future development

- * Retail sales density growth, UK and North America
- * Wholesale sales development, UK, Europe and US
- * Licensing opportunities worldwide
- * Development of smaller brands

Risks

- * Fashion risk; fashion “misses” will affect revenue and brand
- * Economic risk; propensity of customers to spend combined with largely fixed cost base
- * High levels of competition; successful products can be copied
- * Sourcing risk; international supply chain susceptible to external issues and currency fluctuation

Shareholdings

- * Stephen Marks, CEO 42%
- * Schroders 15%
- * Standard Life 8%
- * Gartmore 3%
- * Ennismore 3%



You are woman?

FRENCH CONNECTION

FINANCIAL RESULTS 31 JANUARY 2011