

20 April 2010

## **Burberry Group plc**

### **Second Half Trading Update**

Burberry Group plc, the global luxury company, today reports on trading for the six months to 31 March 2010.

#### **Highlights**

- Total sales up 6% underlying (up 7% reported)
- Retail sales up 15% underlying (up 14% reported)
  - 10% comparable store sales growth
  - driven by strong full price sell-through of Spring/Summer ranges
  - Asia Pacific and Europe showed continued double-digit % growth
  - Americas improved to up mid single-digit %
- Wholesale revenue down 6% underlying (down 7% reported)
  - about a £10m improvement on previous guidance
  - driven by higher in-season orders and improved shipping
  - excluding Spain and own actions, revenue up mid single-digit %
  - Emerging Markets, Americas and Travel Retail performed well
- Licensing revenue down 6% underlying (up 23% reported)
  - in line with guidance
- Looking forward, Burberry is planning
  - an increase in average retail selling space for FY 2010/11 of around 10%
  - H1 underlying wholesale revenue up high teens % excluding Spain
    - up around 10% including Spain
  - licensing revenue for FY 2010/11 down between 5-10% underlying
    - growth in fragrance and watch royalties
    - more than offset by planned termination of Japanese leather goods licence and final menswear licences

Angela Ahrendts, Chief Executive Officer, commented:

“With a stronger finish to the year than we had anticipated in both retail and wholesale, we now expect Burberry to deliver adjusted profit before tax in the year just finished slightly above current market consensus.

Looking forward to 2010/11, while the pace and level of the global economic recovery remain unclear, we remain confident that our strategies will continue to build momentum in the business. To drive growth, we will increase investment in new regions, initiatives and digital commerce, while taking further action to enhance the brand.”

Underlying change is calculated at constant exchange rates

## Revenue by channel of distribution

£ million	2010	2009	% change	
			reported	underlying
<b>Retail</b>				
- Q3	249	213	17	16
- Q4	188	172	10	13
Six months to 31 March	437	385	14	15
<b>Wholesale</b>				
- Q3	105	95	11	5
- Q4	112	140	(20)	(14)
Six months to 31 March	217	235	(7)	(6)
<b>Licensing</b>				
- Q3	26	21	22	(3)
- Q4	27	22	24	(8)
Six months to 31 March	53	43	23	(6)
<b>Total</b>				
- Q3	380	329	15	12
- Q4	327	334	(2)	-
Six months to 31 March	707	663	7	6

Q3 is the three month period to 31 December; Q4 is the three month period to 31 March

## Retail/wholesale revenue by destination

£ million	Six months to 31 March		% change	
	2010	2009	reported	underlying
Europe*	213	202	5	4
Spain	58	74	(21)	(22)
Americas <sup>#</sup>	186	180	3	10
Asia Pacific	165	137	21	20
Rest of world <sup>#</sup>	32	27	19	21
Total	654	620	6	7

\* Excluding Spain

<sup>#</sup> Central and South America revenue has been reclassified from Rest of world to Americas (2010: £4m; 2009: £1m)

## Retail

Retail sales, which accounted for over 60% of total revenue in the second half, increased by 15% on an underlying basis (14% reported). New space contributed 5% to this growth.

Comparable store sales in the half increased by 10%. The sales momentum in the third quarter (up 10%) continued into the fourth quarter (up 11%), driven by strong full price sell-through of Spring/Summer 2010 ranges. Both average selling price and gross margin increased compared to last year. Non-apparel was again the strongest performing division across all sub-categories, especially in shoes and soft accessories. In apparel, outerwear again performed well, with awareness driven by the social media site, [artofthetrench.com](http://artofthetrench.com).

Double-digit comparable store sales growth continued in Asia Pacific and Europe. Hong Kong, the UK and the United Arab Emirates were among the best performing markets. There was an improving trend in the Americas, particularly in the fourth quarter, resulting in mid single-digit percentage growth in the second half as a whole.

The net increase of nine mainline stores in the second half included new stores in Paris and Venice and three openings in the Americas (a flagship in Toronto and standalone Burberry London and Burberry Brit stores on Madison Avenue, New York). Average selling space in the second half increased, as planned, by 6%.

### **Wholesale**

Wholesale revenue, which accounted for about 30% of total sales in the second half, declined by 6% on an underlying basis (7% reported). This decline includes the impact of Burberry's own actions, such as closing certain specialty accounts in Europe, and continued weakness in Spain (which sells a domestic collection unique to that market). Excluding these factors, sales of the global collection grew by a mid single-digit percentage, led by Emerging Markets, the Americas and Travel Retail.

The 6% underlying decline in wholesale revenue is about a £10m improvement on previous guidance of down 10-12%. This outperformance was driven by higher in-season orders than expected due to strong consumer demand and lower cancellation rates due to improved shipping.

A net seven franchise stores were opened during the second half, including the first Burberry stores in Lebanon and Serbia. During the period, China continued to perform very strongly, as did Turkey. Russia and Eastern Europe remained more volatile.

### **Licensing**

Total licensing revenue in the second half declined by 6% on an underlying basis, in line with guidance. Revenue was up 23% reported, reflecting primarily the strength of the yen, which is largely hedged 12 months forward. A new fragrance, Burberry Sport, was launched in the fourth quarter, supported by digital marketing campaigns.

## Outlook

*Retail:* In the year to March 2011, Burberry plans an increase of around 10% in average retail selling space, weighted towards the second half. At this stage, this assumes no further change to the store portfolio in Spain following the restructuring announced in February 2010. Between 20-30 mainline store openings are planned, biased towards the Americas and Asia Pacific.

*Wholesale:* In the six months to 30 September 2010, Burberry projects wholesale revenue at constant exchange rates to increase by a high teens percentage excluding Spain. Significant growth is expected in all regions except Europe, where continued rationalisation of small specialty accounts is planned.

Including Spain, where a further material contraction in the sales of the domestic collection is expected, underlying wholesale revenue is projected to increase by around 10%.

*Licensing:* In the year to March 2011, Burberry expects underlying licensing revenue to decline by between 5-10%.

In line with the amended licence agreement, royalty income from Japanese apparel is expected to be broadly flat year-on-year. Growth from the global product licences will be led by fragrances and watches. However, these will be more than offset by further planned terminations of both the Japanese leather goods licence and the final menswear licences. With the establishment of the Japanese non-apparel joint venture in November 2008, this market now has the global collection for the first time in ten test stores and concessions.

*Restructuring of Spanish operations:* In February 2010, Burberry announced the planned restructuring of its Spanish operations consistent with its strategy of aligning Burberry in Spain with its global business model. The implementation of this restructuring is on track. In addition to the one-off charge of Euro50m-70m already disclosed, Burberry in Spain is expected to incur higher trading losses in the transitional year 2010/11 than in 2009/10. More details will be given with Burberry's preliminary results on 26 May 2010.

## Enquiries

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry website ([www.burberryplc.com](http://www.burberryplc.com)), with a replay available later today.

Burberry will announce its preliminary results for the year to 31 March 2010 on 26 May 2010.

Certain financial data within this announcement have been rounded.

The financial information contained in this Trading Update has not been audited. Certain statements made in this Trading Update are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

## Notes to Editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear base and one of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale, licensing and e-commerce channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify non-apparel development; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 31 March 2010, Burberry had 131 retail stores, 262 concessions, 47 outlets and 97 franchise stores.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index.