

16 July 2010

## **Burberry Group plc**

### **Acquisition of Chinese retail operations**

Burberry, the global luxury company, today announces that it has entered into an agreement to acquire the stores and related assets in China currently operated by its long-standing franchisees.

This transaction is in line with Burberry's strategy of unifying the brand around the world, while at the same time increasing its exposure to retail and to high growth luxury markets. The purchase price is approximately £70m in cash, subject to completion adjustments. The transaction is expected to add up to £20m to group operating profit in financial year 2011/12.

Angela Ahrendts, Chief Executive Officer, commented:

"The acquisition of Burberry's store operations in mainland China will allow us to further leverage our proven brand and business strategies in this high growth luxury region. With a solid foundation of 50 stores across 30 cities, operational expertise and strong brand momentum, this is an optimal time for Burberry to integrate this business.

Looking forward, we will accelerate growth by further capitalising on nearly 20 years of market presence and our high brand awareness in China. We plan to drive productivity in existing stores and open new stores, while rapidly implementing our digital marketing initiatives to further reinforce the brand in this exciting market."

There will be a conference call for investors and analysts to discuss this announcement today at 8.00am (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.

A short video clip of Angela Ahrendts discussing the transaction is available on the Burberry website at: <http://www.burberry.com/en-row/aboutburberry/newsevents?item=0>

A broadcast quality, downloadable version is available here: <http://corporate.burberry.com/china/>

## **Further details**

Burberry has terminated its franchise arrangement for China and entered into an agreement to acquire certain retail assets from its Hong Kong-based master franchisee, Kwok Hang Holdings Ltd. The purchase price is approximately £70m in cash, subject to completion adjustments. The majority of this is payable on completion, which is expected in autumn 2010, and will be paid from Burberry's existing cash resources. The value of the gross assets to be acquired is approximately £30m, subject to completion adjustments. As part of these arrangements, an existing franchisee will hold a 15% economic interest in the business.

Under the agreement, Burberry expects to acquire the assets and inventory of 50 stores in China. These were previously operated under a master franchise arrangement and reported as wholesale revenue for Burberry. The stores are located in 30 cities in China, including nine stores in Beijing and four in Shanghai, with approximately two-thirds in the global store design. Retail sales in these stores were approximately £75m in the year to December 2009, generating operating profit of approximately £14m for the franchisees based on their historical business model.

The operational management of these Chinese stores will be assumed by Burberry's Asia Pacific team and will be led by a recently recruited senior executive, who has worked in the luxury industry in China for ten years. Burberry plans to open about 10 stores in China in the current financial year, while applying global marketing, retail, merchandising and IT disciplines to drive store productivity.

In the balance of the year to March 2011, the transaction is expected to be broadly earnings neutral for Burberry, reflecting the timing of profit recognition on Spring/Summer 2011 sales as the business transitions from wholesale to retail. In financial year 2011/12, the transaction is expected to add up to £20m to group operating profit.

In addition to the 50 stores to be acquired in mainland China, Burberry currently directly operates 13 stores in Hong Kong, one in Macau and 19 in Taiwan.

## **Enquiries**

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The financial information contained in this announcement has not been audited. Certain statements made in this announcement 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 30 June 2010, Burberry globally had 139 retail stores, 140 concessions (excluding Spain), 44 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.