

**Thomson StreetEvents**<sup>SM</sup>



## Conference Call Transcript

BRBY.L - Burberry Group plc First Half Trading Update Conference Call  
(morning)

Event Date/Time: Oct. 16. 2007 / 9:00AM UKT

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

## CORPORATE PARTICIPANTS

**Stacey Cartwright**

*Burberry Group plc - CFO*

## CONFERENCE CALL PARTICIPANTS

**Antoine Belge**

*HSBC - Analyst*

**Dana Telsey**

*Telsey Advisory - Analyst*

**Gilles Lequeux**

*Cazenove - Analyst*

**Nathalie Longuet**

*Societe Generale - Analyst*

**Jacques-Franck Dossin**

*Goldman Sachs - Analyst*

**Phil Clark**

*RCM - Analyst*

**Francoise Lauvin**

*Cheuvreux - Analyst*

## PRESENTATION

---

### Operator

Good morning ladies and gentlemen and welcome to the Burberry plc first half trading update hosted by Stacey Cartwright, Chief Financial Officer. (OPERATOR INSTRUCTIONS)

I will now hand you over to your host, Stacey Cartwright to begin today's conference. Thank you.

---

### Stacey Cartwright - Burberry Group plc - CFO

Good morning ladies and gentlemen and welcome to Burberry's first half trading update call. With me this morning is Fay Dodds, our new IR Director and together we'll give you a brief overview of our performance in the half before taking your questions. This is the first time we've held a conference call to discuss our trading update and we hope you'll find it useful. Just to note, there'll be a second conference call this afternoon to enable any American investors to ask questions without them having to get up in the early hours.

So turning to the first half. We're delighted with our sales performance, up 19% at constant currency which again demonstrates the continued strength of the Burberry brand and our five key strategies which have underpinned what we've achieved in our first half. Under the first of our strategies, leveraging the franchise, we've seen excellent growth in women's outerwear, the core of our business, by introducing new, innovative product throughout the pyramid.

Under our second strategy, intensifying non-apparel, we're seeing continuing success in luxury handbags and shoes in particular, and luxury handbags now make up between 50% and 60% of our handbag sales in our European and US stores for example.

Under the third strategy, accelerating retail led growth, we opened a further 11 stores and 13 concessions in the half and by delivering new product more frequently into our stores and those of wholesale customers, our end consumers are finding more freshness in the collections than ever before.

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Under investing in underpenetrated markets, we saw excellent growth in the US in all channels as well as smaller markets such as Russia and the Middle East. And finally, under operational excellence we continued to invest in the infrastructure to support this strong growth. This is both in IT and in areas such as the global supply chain, additional warehousing space, our retail network and our people.

So let me just give you a brief overview of the numbers. So total sales were up 19% underlying i.e. at constant exchange rates, or 15% at actual reported rates. Retail sales grew by 25% underlying with comparable store growth of 11% for the half. Wholesale revenue increased by 16% on an underlying basis, consistent with the guidance that we gave you earlier in the year. And you'll remember that the first quarter was particularly strong, basically as we shipped Autumn/Winter deliveries much earlier in the year.

Licensing revenue was up 5%. Highlights here include the global eyewear license and Japanese non-apparel. It's important to note that the weakness of the yen took about GBP3 million off sales and profit in the first half, and this is expected to repeat in the second half, as previously notified.

By region, Europe, excluding Spain and the US, were the best performers with excellent progress in markets such as Italy, France and growth of over 40% from key wholesale accounts in the US.

Looking forward, we're now able to give you guidance on the second half underlying revenue for wholesale. Based on orders received to date, we expect a third consecutive six months' period of mid-teens percentage growth for this second half year. And our guidance for second half retail space growth of 12% remains largely unchanged, as does our expectation of broadly flat underlying licensing revenue for the year.

And finally, as we referenced in the statement this morning, we continue to invest in the infrastructure to support this growth. As we flagged at the prelims in May, we've re-phased some parts of the IT implementation of Project Atlas. This will lead to Atlas costs now increasing from GBP15 million this year to GBP19 million which will take us to just over GBP50 million in total over the three year period. The Atlas profit and loss account benefit of GBP20 million this year remain on track.

And we've also continued to invest elsewhere through the P&L in areas such as the global supply chain, additional warehousing, our retail network and our people. So as Angela said in her quote this morning, we're delighted with the sales growth in the first half and this performance is entirely consistent with our profit expectations for the full year as we increase our investment in the infrastructure of the business to support this strong growth.

With that, let me now hand you back to the operator for questions.

## QUESTION AND ANSWER

---

### Operator

Thank you. (OPERATOR INSTRUCTIONS).

Our first question comes from the line of Antoine Belge from HSBC. Please go ahead.

---

### Antoine Belge - HSBC - Analyst

Yes, good morning, it's Antoine Belge at HSBC.

---

### Stacey Cartwright - Burberry Group plc - CFO

Hello Antoine.

---

### Antoine Belge - HSBC - Analyst

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Three questions, if I may? The first one relates to your order book for the second half. I think you are expecting mid-teens which is roughly the same trend as in the first half, but are there any change in the geographical regions? And also could you perhaps give a sense of the trends between non-apparel and apparel? That's my first question.

Then in your press release you quantify the additional costs for Atlas, at the same time you mention also that you have increased investment in improving business processes. Should we expect additional cost in that domain? And overall in terms of all these impacts, are you still happy with the GBP205 million consensus figure for the post-Atlas EBIT for this year?

And finally, I think on Reuters it's mentioned that you are expecting a further share buyback in the second half in the order of magnitude of GBP20 million to GBP30 million. What would be the net debt projection including those buybacks?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay, right, there's a few questions there, Antoine. I'll try and take them in order. I think the first one was around the second half order book, and whether there's any change to the geographical regions. The only thing I would emphasize is the fact that we do still have Spain in weak territory in the second half, so our mid-teens guidance, if you strip out Spain, would be well over 20% for the rest of the Group with nice progress across the US and Europe in particular.

In terms of Atlas costs, yes, we flagged this morning that because we've changed the phasing of when we rolled out particularly the warehouse components of the implementation and our retail rollout for UK/Europe, we pushed both of those implementations back. In the case of warehousing from August to September, in the case of retail from August to October to enable us to basically deal with this huge volume growth that was coming through the warehouse across July and August.

The investments that we've made, and really where we're calling out that there are incremental costs, which obviously we'll give you more detail on when we come back in November, is more around the additional warehousing that we've had to take on to accommodate the business growth, and the continued investment in building a global supply chain function. As well we're delighted that we've now got dedicated IR resource for the Group and we've been able to free Matt up to concentrate on strategy. So things like that in terms of investment in the corporate infrastructure.

In terms of consensus, we've been very consistent in terms of our pre-Atlas EBIT expectations. In May we said we were happy at about GBP210 million, in July we said we were happy at about GBP210 million and we're reconfirming that today. The only difference is if you're looking at it on a post-Atlas basis you'll be deducting GBP19 million rather than GBP15 million.

And in terms of the further share buyback, really we used the share buyback as the balancing number to get us to a broadly cash neutral position at the year end. So I think the GBP20 million to GBP30 million is what most people would deduce based on what they expect our cash flow to do in the second half, given that we've done GBP40 million of buyback already in the first half.

---

**Antoine Belge - HSBC - Analyst**

Okay, thank you very much.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Thanks, Antoine.

---

**Operator**

Thank you. Our next question comes from Dana Telsey of Telsey Advisory. Please go ahead.

---

**Dana Telsey - Telsey Advisory - Analyst**

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Good morning, Stacey. Can you talk a little bit about Spain, what's happening there and what are you seeing in the US exactly? Is it wholesale, is it retail? And is there any price increases that you're seeing? And any more color you can give us in particular on the accessories business? Thank you.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay. In Spain there's really sort of almost two different types of business going on in Spain right now. You know we converted the women's wear concessions business in ECI, we converted over to retail through concessions. That has performed extremely well in the half year. It's the wholesale side of the business in Spain that has been weak. So you've got the combination of the residual business in ECI on menswear that's still run on a wholesale basis, and the old Mom and Pop stores, the hundreds of multi-brand accounts we have across the Spanish market in those secondary and tertiary Spanish cities. That business has been quite weak in the half.

We've talked in the past about the gradual erosion of the multi-brand accounts at about 5% per annum. In this first half that number was closer to 10% in terms of the year-on-year decline. So you can see the relative outperformance therefore of the wholesale business across the rest of the globe.

In terms of the US, I think you know Dana, we believe we're coming from further behind in the US. We've got more opportunity both in terms of retail, the pace of store openings to get us up to the likes of our peers and some of the big wholesale accounts. If we've only got 45 stores and some of these guys have got 90, 100 plus, there's a long way for us to go. And then even within those wholesale doors we are by no stretch of the imagination anywhere near being with every product in every door. And I'm not saying you ever would do, but we really do feel we've got relatively small penetration. So having been able to grow the US wholesale market by over 40% in this first half, Angela's complaint is still that she can't find the product in the big department store. So it's still some way to go there.

Nothing specific to report on price increases. I think we talked in May about the fact that we were trying to align some of our global pricing and we've made some sort of small baby steps along the way, but nothing specific to report.

I think that was it, Dana, was it?

---

**Dana Telsey - Telsey Advisory - Analyst**

Yes. And just lastly, any update on Asia? And just in this quarter in particular beginning of quarter, end of quarter, how were the sales trends? Thank you.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay. In terms of Asia, it's performed nicely and positively in the half, but hasn't performed as well as the US and Europe because they've been such star performers. So that's probably why we haven't given it more focus. Probably the only country I would call out as being slightly different in the region is Korea, where I think you know we've traditionally had a business there that has been too reliant, from a brand perspective, on promotional type sales. And what we've done is very much to start to wean ourselves off that, so costing us some sales growth, but improving margin.

And in terms of particular trends, probably nothing I would pick out in terms of coming into the back end of the half or the beginning of the period here.

---

**Dana Telsey - Telsey Advisory - Analyst**

Thank you.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay, thanks Dana.

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

(OPERATOR INSTRUCTIONS)I have a question next from the line of Gilles Lequeux from Cazenove, please go ahead.

---

**Gilles Lequeux - Cazenove - Analyst**

Hi good morning, Gilles Lequeux from Cazenove.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Hi there.

---

**Gilles Lequeux - Cazenove - Analyst**

Hi, I made a quick calculation for your Q2 same store sales growth, is it fair to say that it was around 13% for the quarter?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes it was. So 9% in the first quarter, 13% in the second quarter.

---

**Gilles Lequeux - Cazenove - Analyst**

And basically, could you sort of give us an idea of what was the performance in Q2 in the US in terms of same store sales growth?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Again, consistent or even slightly ahead of that.

---

**Gilles Lequeux - Cazenove - Analyst**

Alright and would you say that on a full year basis, I think that your initial guidance for same store sales growth was mid single digits?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Well we've never given guidance Gilles. We leave that as the only bit of guidance we don't give you. We give you the retail space and we give you the wholesale sales and then we let you deduce what like-for-likes might be.

---

**Gilles Lequeux - Cazenove - Analyst**

Okay, that will be a room for appreciation then.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes.

---

**Gilles Lequeux - Cazenove - Analyst**

And when you talk about an addition of GBP3 million negative impact for the yen in H2, what does that imply in terms of average yen exchange rate in your underlying hypothesis?

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

---

**Stacey Cartwright - Burberry Group plc - CFO**

220 something I think. 225 I think we've got in there. Remember the way we manage our yen exposures is we actually hedge 90% of the expected flows 12 months in advance, which is why we have a reasonably good view of what the impact's going to be. The other thing to remember Gilles is this isn't new news, we did say when we came out in May and probably repeated it in July actually, that we expected the yen to take 6 million off the full year numbers.

---

**Gilles Lequeux - Cazenove - Analyst**

Yes, yes I remember that.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes, okay.

---

**Gilles Lequeux - Cazenove - Analyst**

I know it's only a trading statement today but just on the tax rate for this year, are you still guiding for a tax rate around --?

---

**Stacey Cartwright - Burberry Group plc - CFO**

31 was the last that we gave, yes. So the same.

---

**Gilles Lequeux - Cazenove - Analyst**

Okay I just wanted to have confirmation on that.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes.

---

**Gilles Lequeux - Cazenove - Analyst**

Coming back on the question from Antoine, maybe I missed your answer, but within the 4 million extra costs from Atlas are all those costs a one-off or are we going to have some --?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes they are. No they're all one-off; separately we've got investment going in, in our global supply chain. We've had one-off costs on warehouse and distribution and we've got ongoing investment in our corporate infrastructure, like I mentioned the IR team.

---

**Gilles Lequeux - Cazenove - Analyst**

Alright, thank you very much.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay thanks Gilles.

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

---

**Operator**

Thank you, our next question comes from the line of Nathalie Longuet from Societe Generale, please go ahead.

---

**Nathalie Longuet - Societe Generale - Analyst**

Yes good morning.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Hi Nathalie.

---

**Nathalie Longuet - Societe Generale - Analyst**

I have a couple of questions, the first one was a follow-up on one of Gilles' questions regarding the comp sales growth in the second half -- well given the [comp basis] that you will be facing, are you comfortable with double digit growth or should we be more cautious? That's the first question.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay, well I mean as I said we don't tend to guide on like-for-like sales growth. We're delighted with the way we've kicked off but we don't really try and give you a crystal ball beyond that.

---

**Nathalie Longuet - Societe Generale - Analyst**

Alright, on the Atlas project, could you give us an idea of how much of this GBP19 million will be charged in the first half and how much of the GBP20 million benefit should come through in the first half?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes, the costs will be front loaded and in terms of the GBP20 million benefit, we already delivered last year GBP6 million, so you've got an incremental GBP14 million that are being factored in this year and of that GBP14 million I think people are skewing it pretty much GBP5 million first half, GBP9 million second half.

---

**Nathalie Longuet - Societe Generale - Analyst**

Okay and so it means for the costs it's going to be 80% in the first half?

---

**Stacey Cartwright - Burberry Group plc - CFO**

I think we'll just say it's going to be front end loaded, so more than half.

---

**Nathalie Longuet - Societe Generale - Analyst**

Okay. Can you also talk about your apparel business in Japan, what you're seeing here and whether there is any potential risks from the merger of Isetan and Mitsukoshi, whether it could affect your business, whether your present with these department stores, even though I know it's a licensing business, but what's the situation there?

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay, the apparel business in Japan tends to be -- we, the growth in our business is very much in line with the department stores, so typically we've been growing at low single digits. We're not expecting there to be any fallout, we're a big part of the department stores' business, so we're expecting that to continue irrespective of the merger.

---

**Nathalie Longuet - Societe Generale - Analyst**

Okay, the last question is also a follow-up on Asia where actually there is, when I look at your quarterly sales figures, you have quite a fast slow down in the second quarter, so you mentioned Korea where you're doing some clean-up of the house?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes, weaning off promotional activity, yes.

---

**Nathalie Longuet - Societe Generale - Analyst**

Right, should we expect this to continue in the second half as well?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes that will continue, yes Nathalie.

---

**Nathalie Longuet - Societe Generale - Analyst**

Okay so we should expect kind of single digit costs in Asia for the second half as well?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Well when you're looking at the table, I just want to be clear whether you're looking at the revenue by origin or the revenue by destination, because the destination growth is a lot stronger than by origin. You just need to know, remember we talked about in the past how we've brought back to London some of the design centers that used to sit around the globe. So the revenue by origin in Asia has been impacted by the fact that we've got no more local Asia design product and we brought it back to London. So you really need to be looking at the revenue by destination.

---

**Nathalie Longuet - Societe Generale - Analyst**

Okay, thank you very much.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay.

---

**Operator**

Thank you, our next question comes from Jacques-Franck Dossin from Goldman Sachs, please go ahead.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Yes good morning it's Jacques-Franck Dossin from Goldmans.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Hi Jacques-Franck.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Hi how are you?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Good.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

I had three questions, if it's possible. The first one -- sorry they're all related on Atlas, basically we see an increase in the costs of Atlas from GBP15 million to GBP19 million for this year but you don't change the total cost of the project over time at GBP50 million, could you elaborate on that and I'd be interested to hear how would you make up for the increased cost this year?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay well first of all if you actually add up all the numbers that we'll have put through the P&L account over the three year period, with this incremental GBP4 million it comes out at GBP52 million. So that's why we're saying we're still in the region of GBP50 million but we've gone just over the GBP50 million rather than just under the GBP50 million.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Thank you. And in terms of savings, you're still targeting GBP20 million savings from Atlas this year despite the delay in the IT implementation by a quarter, again could you elaborate on that and does it mean that there was not really any meaningful cost savings coming from just the IT side of Atlas anyway?

---

**Stacey Cartwright - Burberry Group plc - CFO**

No, but remember all we've done on the IT side is we've moved -- the rollout of the warehouse has gone from August to September and the rollout on the retail for UK Europe has gone from August to October. So you're talking about a few weeks there, so you're still getting benefits through in the second half year.

Remember also that Atlas is about changing both the IT and the business processes because to be able to put the new IT systems in we also had to change the business processes and there's a number of business process improvements including, for example, the way in which we deal with our suppliers now on a fully factored basis rather than a cut, make and trim basis. There's a number of process benefits that have come out such as direct deliveries now, rather than having to ship the product under the old legacy system via the one warehouse in the North of England. All of those things still stand.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Okay and despite the delay of --

---

**Stacey Cartwright - Burberry Group plc - CFO**

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Yes.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Because I was a little bit surprised at -- I understand obviously the process of the cost savings but you need the implementation of the system to get that.

---

**Stacey Cartwright - Burberry Group plc - CFO**

We need the implementation of the system and the changes in the business processes that go with it, yes, it's two together.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Okay. And finally this, just to make sure that I understand the extent of the cost, the GBP4 million extra cost there, is that just related to IT or does it also include the increased investment in business processes and supply chain that you are commenting as well in the communique?

---

**Stacey Cartwright - Burberry Group plc - CFO**

No there's ongoing investment, which is in building a global supply chain function for example, that is not part of the IT costs, building the corporate infrastructure. The additional warehouses that we've had to take on to accommodate business growth, those are operational expenses. The Atlas costs include the IT costs but also costs of running things like master data management that we were expecting parts of the business to be able to take on but because of the scale of business growth we've actually had to chuck resource at that from within the Atlas team to make sure that as we've gone live with each of the seasons here, that we've got all the core data loaded, and that is no mean task I can assure you.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Right okay. Okay so the GBP4 million is just IT and then the other measures, again just to make sure I'm clear on that, which is the global supply chain team, the warehousing capacity etc., that will come on top of that?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Yes those are part of the ongoing costs of building a new foundation for growth.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Right. Can you give us a sense of your estimates for this extra cost non-IT related?

---

**Stacey Cartwright - Burberry Group plc - CFO**

We will obviously give you more details when we come back in November, I don't want you to get carried away with it being a significant number, it isn't. But it will be a counter to some of the margin flow through that you'll otherwise see in November.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Okay alright. Okay, thank you very much.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Thanks Jacques-Franck.

---

**Jacques-Franck Dossin - Goldman Sachs - Analyst**

Thank you, bye-bye.

---

**Operator**

Thank you. Our next question comes from Phil Clark from RCM. Please go ahead.

---

**Phil Clark - RCM - Analyst**

Good morning Stacey.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Hi Phil.

---

**Phil Clark - RCM - Analyst**

Hi, morning. I just had two quick questions. One was just a clarification on Spain wholesale. Are you anticipating deterioration from H1 as you look at H2, so more than down 10?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Not more than 10 but we have seen that the rate of deterioration has stepped up a little bit in this half year and we'd expect it to continue at that higher level in half two as well.

---

**Phil Clark - RCM - Analyst**

Okay. And then my second question was, in the second half of last year you had the interesting dilemma of being short of a lot of products which you re-ordered but at a deteriorated gross margin. Have you had any of those issues in the first half of this year?

---

**Stacey Cartwright - Burberry Group plc - CFO**

The actual build within the supply chain is a lot stronger in this first half than it was in the second half of last year, we haven't been scurrying to play catch up as much as we were this time last year, so you'll see some improvement.

---

**Phil Clark - RCM - Analyst**

Great. That was it. Thanks very much.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay.

---

**Operator**

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

Thank you. Our next question comes from Francoise Lauvin from Cheuvreux. Please go ahead.

---

**Francoise Lauvin - Cheuvreux - Analyst**

Yes good morning, Francoise Lauvin from Cheuvreux.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Hi Francoise.

---

**Francoise Lauvin - Cheuvreux - Analyst**

Thank you for the call, it's very useful.

---

**Stacey Cartwright - Burberry Group plc - CFO**

Good.

---

**Francoise Lauvin - Cheuvreux - Analyst**

I had two questions. One, maybe could you comment a bit more on the product mix? You said the handbags and the non-apparel category went up and the higher range in luxury handbags, but overall maybe could you make a comment on the higher average price points?

And I don't want to anticipate but as far as the gross margin is concerned, do we have to expect a positive inflow from that in the first half, despite the ForEx situation? First question.

And second question concerning the licensing revenue where you see flat underlying basis going forward, and I know you've always been relatively cautious considering your licensing revenues. Could you make some comments on the global licensing on the one hand on the menswear you're expecting to stop, and what you foresee in Japan please?

---

**Stacey Cartwright - Burberry Group plc - CFO**

Okay, alright. Well in terms of the product mix, obviously because accessories has had a very strong half, it's grown 35%, it's now taking up a much bigger share of the overall pie. So if you look at our business, retail and wholesale only for example, accessories has gone from 27% of the mix last year to 30% of the mix this year. You're right, that's beneficial to gross margins but we'll be able to quantify that better for you when we come back in November.

In terms of licensing revenues, from a first half point of view obviously we've had the benefit of the Luxottica eyewear launch which has helped the numbers quite well. When we look at the second half, you just need to be conscious on the global licensing front that we had fragrance launches last year; Burberry London Women earlier in the year, Burberry London for Men later in the year and there's nothing in our numbers that picks up any new fragrance. So that will have an impact in the second half year.

The watches business is doing nicely but off a relatively small base. The menswear business, you will see the impact of the non-renewals in the second half which brings the numbers down a little bit. And as far as Japan is concerned, you'll know we get paid on output rather than sales and we've had the benefit of some output pick-up in the first half that we're expecting to reverse in the second half.

---

**Francoise Lauvin - Cheuvreux - Analyst**

Okay. Concerning the menswear, can you be a bit more specific on what it is you are not renewing?

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)

**Stacey Cartwright - Burberry Group plc - CFO**

There's some residual small licenses that we've had on ready-to-wear for menswear like shirts in Germany, tailored clothing in Italy for example. They've been a number of small licenses which have made specific products for specific marketplaces. What we're looking to do now is to ensure that we can handle all of that in-house and not need to renew some of these licenses.

**Francoise Lauvin - Cheuvreux - Analyst**

Okay so it's nothing global, it's basically local?

**Stacey Cartwright - Burberry Group plc - CFO**

They were local licenses yes.

**Francoise Lauvin - Cheuvreux - Analyst**

Okay thank you.

**Stacey Cartwright - Burberry Group plc - CFO**

Okay.

**Operator**

Thank you. That was our final question so I will now hand you back to your host to conclude today's conference. Thank you.

**Stacey Cartwright - Burberry Group plc - CFO**

Thank you very much everybody for your attention. We hope you find it useful. We look forward to speaking to you all on November 14 when we announce our interim results. Thanks very much.

## DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2005, Thomson StreetEvents All Rights Reserved.

Oct. 16. 2007 / 9:00AM UKT, BRBY.L - Burberry Group plc First Half Trading Update Conference Call (morning)